

FINANCIAL TIMES



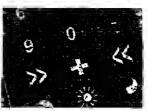
Finanzplatz Zürich

Swiss cast off. the cosy image



Road to Emu

No free tickets. no discounts Theo Walgel, Page 13



Telemedicine Healthcare by

remote control



Brighter outlook

International capital markets Survey, Pages 21-24

Israel outlines differences over Golan timetable

World Business Newspaper

Israel publicly outlined details for the first time of its negotiations with Syria on the timetable for a troop withdrawal from the occupied Golan Heights. raising hopes of serious progress in forthcoming US-brokered talks. Foreign minister Shimon Peres said Israel proposed a four-year timetable for withdrawal from the Heights, but that Syria demanded 18 months. The timetable is a key issue that prime minister Yltzhak Rabin has said must be resolved in the talks. Page 14

Brussels launches single currency plan: The European Commission launched a blueprint for achieving the irreversible shift to a single currency by the end of the century and said a decision on Emu was coming faster than widely appreciated. Page 14; Case for convergence and Editorial Comment, Page 13

Eurotunnel warns bankers: Eurotunnel, Anglo-French operator of the Channel Tunnel, warned its 225 banks that it would press for a cut in interest payments on its £6.8bn (\$10.7bn) deht this autumn, ruling out a further rights issue this year. Page 15; Lex, Page 14

China tests mobile-launch missile: China is believed to have test fired a mobile-launch ballistic missile that will provide it with a long-sought nuclear "second strike" capability. Page 14

Kerkorian withdraws Chrysler bld: Kirk Kerkorian's Tracinda Corporation withdrew its controversial \$22.8bn offer for motor group Chrysler Corporation, but stressed its 36m Chrysler shares were not for sale. Page 15

Russia renews Nato links: Russia renewed its military ties with Nato hut warned they could be broken again if the alliance moved to enlarge its boundaries eastwards. Page 2

BAe renews offer for VSEL: British Aerospace reopened its campaign to buy UK submarine maker VSEL with an offer of 3.3 BAe shares for every VSEL share. The offer values VSEL at £678m (\$1.05bn). Page 15; Lex. Page 20

Air France delays orders: Air France said it had agreed with Boeing of the US to postpone deliv-ery of seven aircraft because of the French carrier's financial difficulties. Page 7

US risks 'devastating' trade war: Growing US protectionism and Washington's aggressive use of hilateral trade tactics threaten to unleash a "devastating" world trade war, the president-elect of US economists' leading professional body warns.

Tokyo's governor calls off Expo: Tokyo governor Yukio Aoshima said he would cancel the Y200bn (\$2.3bn) World City Expo planned for next year, causing dismay among Japan's business and

political communities. Page 6 Argentina faces revenue shortfall:

Argentina's tax revenues for May are likely to fall well short of expectations, the Treasury estimates, fuelling concern that the country may fail to meet 1995 fiscal targets agreed with the International Monetary Fund. Page 5

France to sell off steelmaker: France's new conservative government announced plans to sell Usinor Sacilor, Europe's largest steel producer, within the next few weeks. The company is expected to be valued at about FFr20hn (\$4bn). Page 14

Salomon wins role in Telefónica sell-off: The Spanish government appointed US investment bank Salomon Brothers as its financial adviser for the sale of 12 per cent of the equity it owns in domestic telecoms group Telefónica. Page 15

Australian growth eases: Australia's economic growth fell back to 3.7 per cent year-on-year in the quarter to March, with gross domestic product rising by just 0.5 per cent. Page 6

Italian lawyers strike over reform plans: A strike by Italian lawyers over reform plans is threatening to paralyse the country's justice sys-

England, Ireland and Australia win



England beat Italy 27-20, Ireland beat Japan 50-28 and Australia outscored Canada 27-11 in vesterday's round of rughy world cup matches. Canada must now beat the Springboks to have any chance of advancing to the quarter-finals, while Australia are expected to defeat Romania and go through with South Africa. The award of two

penalty tries to the Irish is thought to be the first time this has happened to the same side in a world cun competition. Page 4

I STOCK MARKET BIDS	CES	E GOLD	
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O THE FINANCIAL TIMES LIMITED 1995 No 32 590 Week No 22

By Philip Gawith in London and Michael Prowse in Washington

rare victory over currency traders when an unexpected wave of higher on the foreign exchanges.

of slipping below key support levels when the Federal Reserve. Bundesbank, Bank of Japan and 10 other central hanks started huying dollars soon after trading opened in New York.

prise and the US currency rallied as traders who were short of dol-

President signals policy shift

Clinton may

send troops

to help UN

in Bosnia

By Our UK Political

and Foreign Staffs

President Bill Clinton moved

closer yesterday to committing

US ground forces in Bosnia in a

significant policy shift to help

United Nations peacekeeping

forces regroup into safer terri-

In a speech to the graduating

class of the US Air Force Acad-

emy, he said: "We cannot leave

our Nato allies in the lurch." He

said he was considering "the tem-

porary use" of US troops to evac

uate or reorganise UN detach-

But he made clear that even a

Nato request for assistance

would be subject to "careful

review", including consultation

At the same time Mr Boutros

Boutros Ghall. UN secretary.

general, called for the UN force

in Bosnia to be scaled down and

its mandate reduced so it would only carry out tasks it can realis-

In Britain's House of Com-

mons, which was recalled from

recess to debate the crisis, Mr

John Major, the prime minister,

said the more than 6,000 extra

UK troops being sent to Bosnia

would be attached to Unprofor,

with Congress.

tically achieve.

lars scrambled to huy it. The dollar gained around 3 piennigs and 2 yen after the intervention to

Mr Robert Rubin, US Treasury secretary, said the intervention was consistent with the commu-

was seeking to reinforce the recent rally of the dollar, which showed signs of foundering last week amid concerns over economic slowdown in the US and the trade dispute with Japan.

The intervention coincided with the release of data confirming earlier signs that US econemic growth is slowing down.

Data from Chicago purchasing managers and housing markets meanwhile, reinforced speculation that growth slowed even more sharply in the second quar-

April, suggesting that the national index, out today, may be

the same period last year. The inventory of unsold homes rose

to its highest level in five years. "The economy will slow to a virtual stall in the current quarter," said Mr Richard Berner, chief economist at Mellon Bank in Pittshurgh. But he said it was "not a prelude for contraction". Growth was likely to rebound in the second half as consumer demand revived.

The first quarter GDP figures were seen as mildly encouraging hecause they indicated growth was that hetter halanced than

Lex. Page 14: Currencies,

Early talks likely in US-Japan car dispute

The US yesterday indicated it would bow to Japan's demand for early bilateral talks in Geneva over Washington's threat to impose punitive tariffs on \$5.9bn of Japanese luxury car

The dispote over US access to the Japanese car and car parts market was also given a fresh twist when the EU announced it wanted to take part in the talks, to he held under the auspices of the World Trade Organisation. Japan says it would welcome third party participation hut trade officials in Geneva expect Washington to oppose the

Although the date and venne have yet to be agreed, the two sides are expected to meet in

Geneva hefore June 16. Earlier this week Japan rejected US proposals to meet on June 20 in Washingtoo. The trade sanctions are due to take effect oa June 28.

Mr Andrew Stoler, deputy US ambassador to the WTO, told the organisation's dispute settlement body that the US would shortly propose another date and bad "noted" Japao's wish to hold

talks in Geneva. At the same time, the US strongly disagreed with Japan's contention that the case should he treated as "urgent" under WTO procedures. Even under normal WTO rules, however, the US is supposed to begin hilateral consultations by June 16. 30 days after Japan's request on May 17.

In a letter sent on Tuesday to Mr Mickey Kantor, US trace rep resentative. Mr Ryutaro Hashimoto, Japan's trade minister. said Tokyo reserved the right to ask for a WTO panel to rule on the CS sanctions threat if was ingtoo failed to comply with the WTO deadline.

Mr Hisashi Hosokawa, head of Miti's international trade policy burean, yesterday said the tariff threat had already cost Japanese car manufacturers Y9.2bn

Mr Jean-Pierre Leng, the EU's WTO amhassador, said later that the EU request to take part in the US-Japan talks was moti-vated by its "deep concern" over

Continued on Page 14

Central banks drive dollar sharply higher

Central banks yesterday scored a support drove the dollar sharply The US currency was in danger

The market was taken by sur-

close in London at DM1.413 and

nique issued on April 25 by central bank governors and finance ministers from the Group of Seven industrialised countries. They agreed "to strengthen their efforts in reducing the internal and external imbalances and to continue to co-operate closely in exchange markets". Analysts helieve the Treasury

the UN protection force under

the command of General Rupert

Meanwhile, in the House of Lords, Lord Owen announced he

was standing down as the Euro-

pean Union's peace negotiator in former Yugoslavia, and warped

that UN forces might be forced to

leave unless a lasting peace could

"I do not believe this humani-

tarian intervention can be

extended through a fourth winter

and, if there is not a peace settle-

then the UN forces. I fear, will be

to protect UN peacekeepers with-

drawing from outlying areas

towards central Bosnia could

comprise up to 2,000 marines.

according to Mr William Perry.

the US defence secretary. Mr

Perry ruled out an early resump-

tion of air strikes, agreeing it

made 'no tactical sense to go for-ward with air strikes in the

immediate future".

US forces, which could be used

ment by the autumn of this ye

forced to leave," he said.

be negociated quickly.

The Commerce Department said grass domestic product grew at an annualised rate of 2.7 per cent in the first quarter, rather than 2.8 per cent as previously reported. That compared with growth of 5.1 per cent in the final period of last year.

The Chicago index of husiness activity fell to 53.5 per cent in May against 57.6 per cent in

CANAL CONTRACTOR

Sales of new homes fell 2.7 per cent in April to a seasonally adjusted annual rate of 580,000, 13.7 per cent below the level in

previously estimated.



However, the use of US troops in an operation short of British troops prepare a field gun for transport to Bosnia. The men are part of a Nato Continued on Page 14 Clinton pledge on troops, Page 2, Major dismisses criticism, Page force being sent to support UN 8; Editorial Comment, Page 13 peacekeepers

Gazprom meeting has hint of Communist party spirit

By Chrystia Freeland in Moscow

The first annual meeting yesterday of Gazprom, Russia's largest company, was more like a Communist party congress than a celebration of the coming of capitalism. The hands went up in unison, and only one question

them Gazprom employees with an eye on keeping their jobs were enthusiastic in supporting 11 motions proposed by the gas company's chairman, Mr Rem Viakherev. His first name is an

beach in Miami instead of sweating in this hot hall."

The meeting opened with a congratulatory telegram from Mr Victor Chernomyrdin, Russian

Asia-Parris News -

yesterday when chareholders attending the privatised utility's annuel meeting in London showed their anger at the 71 per cent pay rise given to chief executive Cedric Brown. There was also disruption at Elf Aquitaine's meeting in Paris as trade unionists expressed fears about possi-

Ef Aquitaine first-half increase. Page 16; Pig tares better than Brown. Page 20

tions were "slanderous". Each of yesterday's 262 voting

person to Moscow.

Int. Compaties ___

Those who want to huy shares

A few rebels raised objections

the sale of Gazprom shares without the approval of Gazprom management. But Mr Viakherev, whose single vote controls the government's 40 per cent stake and the company's own 10 per cent holding, easily saw off the

quickly and cheaply do not like our policies," Mr Viakherev said. "But those who want to defend the interests of real Russians, of normal Russians, they think our policies are good." Mr Viakherev, who is fend of

the slogan that "What is good for Gazprom is good for Russia", also used the meeting to further his view that mass privatisation is harmful if it means the inexpensive sale of assets to foreigners. Describing Gazprom as Rus-

sia's "family jewels", Mr Vlakherev said that "we are not rushing to sell, although this does not please all of our investors". He insisted Gazprom, which has said it will try to place a 9 per cent stake abroad, did not want to sell at below \$25-\$30 per share even though, in very restricted domestic trading, shares were now selling at about 15 cents.

Having the capital to back a big idea is only half the secret. Having the vision to spot one is the other half.

"Pictures that travel

through the air

and come out of a

glass tube

in peoples homes?

I'm sorry Mr Baird,

we invest in

science fact, not

science fiction."



CRIVER and a regulated by MARO is the candidated in long-street Supercond

Top executives of British Gas came in for tough questioning

was asked about executive pay.

The shareholders - most of ble job cuts.

acronym for Revolution Engels Mr Viakherev shrugged off con-cerns about his salary. "Don't worry, it's not too much," he said, declining to name a figure.
"It's not enough to let me lie on a

He repaid shareholder loyalty. suggesting "people matter more than profits" and insisting his top priority was ensuring that all employees enjoy a companysponsored summer holiday.

Observer .

prime minister and Gazprom's former president who acts as its patron in the cabinet. Mr Chernomyrdin has long been rumoured to be a Gazorom shareholder himself, though the company said yesterday that such allega-

delegates has a tiny stake through a part privatisation two years ago. Like Communist party delegates, they were representing comrades who had pooled their shares to reach the voting threshold of 8m and send a spokes-

(P. 142) 15 (P. 14)

FT.SPANIC Indices.

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LONDON - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - LOS ANGELES - TOKYO

Russia back on track with Nato

豪養物學 傳送 电流电流

By Bruce Clark in Noordwijk,

Russia yesterday relaunched its military relationship with Nato but warned that It could be frozen again if the alliance moves quickly to enlarge its boundaries eastwards.
The warming of Moscow's

ties with the alliance, which had been frozeo for six months after a row over enlargement, coincides with closer co-operation between Russia and the west over Bosnia.

However, President Boris Yeltsin yesterday sought to apply the brakes on any increase in outside military involvement in Bosnia by ques-tioning the feasibility of decisive intervention. He said he did not believe any military action could help release the UN peacekeepers who have been held hostage by Bosmian

Mr Yeltsin's warning came shortly after a meeting of the US, Canada and 40 European and former Soviet states in the Netherlands, where the Rus-sian-western climate appeared to be improving. Mr Andrel Kozyrev, the Russian foreign minister, said his country would resume co-operatioo with Nato under the Partnership for Peace (PFP). Some 26 neutral and ex-

communist countries have already joined the PFP, under which Nato has offered to share military expertise in areas snch as peacekeeping. disaster relief, procurement procedures and defence planning. in practice Russia is thought unlikely to need much western assistance in these areas but its entry into the PFP is seen as a token of good-

At a closed-door meeting, Mr Kozyrev also gave the green light for the resumption of a Russia-Nato dialogue which has been described by both sides as the first step towards a formal relationship.

Western powers have mooted the idea of a formal treaty or consultation mechanism with Russia in the hope of softening Moscow's objection to the incorporation by Nato of former Warsaw Pact nations.

Mr Kozyrev made it clear yesterday that be expected early progress on the special Russia-Nato relationship while continuing to reserve his posi-

He told fellow ministers that enlargement does not "meet the interests of Russian



All smiles: Mr Andrei Kozyrev, Russia's foreign minister (left), and Nato secretary-general Willy Claes at the start of yesterday's meeting in Noordwijk

ests of European security as a tables by the end of this year

Any hasty moves towards expansion may "threaten the establishment of advantageous relations" between Russia and Nato and cast doubt on the usefulness of Russia'e involvement in the PFP.
Nato officials insisted that

there was no question of negotiating with Russia the issue of expansion to include countries such as Poland, Hungary and the Czech Republic. In practice, however, all talk

has been quietly dropped.

Mr Douglas Hurd, the UK foreign secretary, said it was significant that closer Russianwestern co-operation on former Yugoslavis had preceded a warming up of the formal rela-

"Reality is always ahead of theory," he said. The need to avoid offending

Russia is one of the problems confronting western officials as they consider the mechanisms for reinforcing, and possibly

Nations force in Bosnia Russia agreed with the US, Britain, France and Germany its partners in the Contact Group - earlier this week on the need to enhance the rapid reaction capscity of the UN

But any move to give these forces a Nato designation would be highly provocative to Rnssia, although it is understood that Nato is the only organisation powerful enough to organise a full-scale evacuation if that becomes nec-

GENERAL'S OFFER TO RESIGN PUTS YELTSIN ON THE SPOT

By Chrystia Freeland

Russia's most controversial general yesterday raised the stakes in his longrunning conflict with the Kremlin by offering to resign in protest over plans to reorganise his forces. General Alexander Lebed, charis-

matic commander of the Russian 14th Army in Moldova and tipped as a "law and order" presideotial candidate, is fiercely opposed to plans to downgrade his force and withdraw it from Moldova over the next three years.

The defence ministry has promised Moldova to pull out the 14th Army and is also reluctant to serve as an intermediary in the four-year conflict between

Moldova and Russian-speaking separatists in Trans Duestr, where the army is

By tendering his resignation, the general has forced President Boris Yeltsin into a tricky game of political brinkmanship. Although Gen Lebed's outspoken criticism of the president must often inspire the latter to wonder who will rid him of his turbulent general, accepting his resignation would be a dangerous choice.

If Mr Yeltsin allows Gen Lebed to leave the 14th Army under protest, he could transform the maverick soldier into a martyr in the eyes of Russian nationalists, who support his defence of the Russian minority in Moldova. Released from military discipline,

Gen Lebed, who has already begun to frequent nationalist political gather-ings, would be free to capitalise on this image and could emerge as a dangerons rival for the presidency in elections scheduled for next June.

However, not to accept Gen Lebed's resignation could be seen as condoning the general's overt opposition to Moscow's plans for the 14th Army. The anthority of the defence ministry would likely be further undermined.

Moreover, after having effectively dared the Kremlin to sack him, the general is unlikely to comply with Moscow's orders to reorganise and effectively downgrade his force. He is also unlikely to allow the army to be withdrawn, diminishing Moscow's rep-

ntation in its dealings with other former Soviet republics because it would violate an agreement between Russia and Moldova.

Last summer, Gen Lebed successfully resisted Moscow's orders moving him to another, less powerful, posting. Paradoxically, his ability to ignore the commands of his superiors has enhanced his political reputation among those Russians craving a strong

In a rebuff to the president, the Russian parliament earlier this year passed a non-hinding resolution back-ing Gen Lebed, and in March, local residents overwhelming supported a referendum asking the 14th Army to remain in place.

Fazio warns that benefits of strong economic recovery may be undermined

Italy's bank chief fearful on inflation

By Robert Graham in Rome

Mr Antonio Fazio, the governor of the Bank of Italy. yesterday warned that inflationary pressures risked undermining the benefits of Italy's strong economic recovery.

Choosing the solemn occasion of the governor's annual economic statement, Mr Fazio said three requisites were essential for bringing Italy's inflation back under control: orderly evolution of domestic demand; restraint by companies in passing prices on to umer; and continued

Preliminary figures for May sbowed annual inflation was running st 5.5 per cent, the highest level since 1992; while producer prices for the first quarter were averaging more than 7 per cent. Last Friday the Bank of Italy felt obliged to raise the discount rate by 0.75 perceotage points to 9 per cent to head off rising inflationary pressures. Mr Fazio said the bank acted because of the market view "that the worsening of inflation could continue into the months ahead". in the light of this move he

believed the tendency could be inverted by "the end of the summer" and core inflation at year-end could be 4.5 per cent. But he also made it clear he would not hesitate to raise interest rates if necessary.

Less than a month ago both the government and officials inside the bank hoped inflationary pressures would level off around July. Mr Fazio yesterday put less emphasis on the weak lira as the cause of inflation and chose instead to focus on the way companies had been passing increased costs (especially imported raw

materials) directly to the consumer. In this context he called on companies to avoid excessive profit margins. Another main theme of Mr Fazio's comments was the battle by successive governments to improve Italy's public finances.

He was critical of the failures of the previous govern-ment of Mr Silvio Berlusconi but gave eodorsement to the tougher line pursued by the present government of prime minister Lamberto Dini.

about the shortcomings of the

struck last month with the unions. "The transition period (from the old to the new sys-tem) is too gradual," he said. The most interesting omis-

The New York Times at least sion in Mr Fazio's speecb was thought the administration any substantial reference to was right to continue to resist Europe. in recent days the govsending in US troops, except to ernment has raised the prosrescue UN detachments. But pect of Italy rejoining the Mr Lawrence Eagleburger, the European exchange rate mechlast Republican secretary of anism. But the governor state, said: "If we're going to get tough, then get tough, by ignored this topic completely despite the fact high-level conwhich I mean some very tacts are going on with Italy's serious bombing that tells the However, he made no bones main EU partners about a pos-Serbs this is not going to go on any longer. Senator Robert Dole, the

Striking Italian lawyers press their case

A strike by Italian lawyers is threatening to paralyse the country's justice system, which is already close to overload with a backlog of nearly 3m cases. Lawyers decided in April to

boycott administrative, civil and criminal courts. But in the past week they have decided to prolong their action until June 24. hitting higher-profile cases. Their aim is to change plans for reform of the judicial system, which are in part designed to meet the backlog

Today they will meet Mr Filippo Mancuso, the justice however, Italian prosecuting magistrates have flercely criticised the lawyers for playing into the hands of the corrupt and the criminal. Other opponents claim that the lawyers are simply trying to protect their own interests in keeping Italian court cases running for as long as possible. More than

a decade can elapse between crime and sentence in Italy. A vocal minority of lawyers is against the strikes. But this week the action has begun to take its toll on several highprofile court hearings. On Monday, a series of trials

involving illustrious defendants such as Mr Bettino minister, to discuss their Craxi, former Socialist prime

minister, Mr Francesco De Lor-enzo, former health minister, and Mr Gianni De Michelis, former foreign minister, were postponed pending a resolu-tion of the dispute. Newspapers reported yester-

day that Mr Silvio Berlusconi's lawyers had decided to join the strike. That means Milan magistrates will he unable to question the media magnate and former Italian prime minister tomorrow about corruption allegations as they had originally planned.

The lawyers are complaining abont a series of issnes, including proposals to lutroduce "justices of the peace" (JPs) into the Italian justice exposure has been one of the

Civil lawyers claim that the new JPs will be poorly quali-fied to handle complex legal cases. They also fear that a backlog of some 2.8m unheard cases will not be reduced by

Criminal defence lawvers are protesting about what they claim is the imbalance between rights of defence and prosecution, and in particular about the use by magistrates of preventive custody for witnesses. The power of investigating magistrates has increased in the past three years as they bave broken open corruption scandals.

The threat of jail or public

nesses to talk, and led to a damaging row last year when Mr Berlnsconi's government tried to clamp down on the practice. The government eventually had to retreat after protests from the popular Milanese anti-corruption magistrates.

Mr Gaetano Pecorella, head of the Italian criminal lawyers, said earlier this week that defence lawyers had made a mistake in co-operating too much with magistrates pre-pared to do deals with their clieots.

"Why pay a lawyer if all they have to do is fix an appointment with the judge?"

Clinton

role of

Bosnia

By Jurek Martin In Washington

pledge on

troops in

The Clinton administration, its

Bosnian policies again under heavy domestic fire, is continuing to insist that no US forces will be deployed on the ground except to help evacuate United Nations missions from

President Bill Clinton

himself, in his first public

comment since last Friday,

said in a speech yesterday that "if necessary and after consultation with Congress, we should be prepared to assist

Nato if it decides to meet a UN

request for help in a with-

drawal or in a re-configuration

In a television interview, Mr

William Perry, the defence

secretary, appeared to exclude any mission to rescue UN

soldiers now held hostage by

the Bosnian Serbs, a possibility

mentioned by other US officials over the past 72 hours.

said, "is where we send our

forces in as part of a Nato

operation in order to extract UN forces that are in danger from the position in which they are in danger. That was

the commitment the president

As a hypothetical case, he

said the UN commander in the

Srehrenica enclave might

decide that his position was untenable and that "he can't

just march them [UN troops]

out because of the danger to

About 2,000 US marines would be available to assist in

Mr Perry refused to rule out

future UN bombing of Bosnian

Serb positions but agreed that

"it makes no tactical sense to

go forward with air strikes in

He stoutly defended their use

last week, arguing that their purpose had been to stop the

shelling of the Bosnian capital,

Sarajevo, and that the risks to

UN personnel had been taken

Although the congressional

recess has spared the administration a full frontal

political assault on its policies in Bosnia, it has been subject

to unsparing criticism by foreign policy experts and in

Typical was a Washington Post editorial which said "the new factor in the Bosnian equation is the utter public

humiliation of the US". A

report in the same newspaper

described the US push for air strikes as "a military,

diplomatic and public relations

majority leader, thought a case

could be made for evacuation

missions, ns did Mr Pat Buchanan, the most conservative of all the

Republican presidential

Mr Dole still plans to introduce legislation ending

the arms embargo on Bosnia

while a debate in the House of

Representatives next week on

the War Powers Act may also

seek to place new limits on the

president's abilities to deploy

troops in combat

Senator Jesse Helms of

North Carolina, chairman of

committee, once again suggested Mr Clinton was

unqualified to be commander-in-chief and said

he hoped the president "won't

wife is the daughter of a promi-

nent Falangist and Franco

minister. A teenager during Spain's transition to democ-

racy, Mr Ruiz-Gallardón enjoys

an untainted reputation.

sboot from the hip".

foreign relations

circumstances.

such an evacuation.

the immediate future"

account of in advance.

the media

fiasco*.

"The one contingency," he

positions of grave danger.

German delay on Eurofight German part

The German parliament yesterday postponed a decision to commit extra funds to the development of Eurofighter 2000, the four-nation European fighter aircraft, delaying the project's move into the production phase. Objections by the Free Democratic Party, the junior partses

in Chancellor Helmut Kohl's ruling coalition, to the cost of the 232bn project meant that a decision by the parliament's budge committee was postponed possibly for up to three weeks.

Ministers had hoped that the parliament would vote through
an extra DM531m (\$385m) for the project to settle a dispute
between Dalmler-Benz Aerospace and the German government
so that a Memorandum of Understanding camenting the development phase of Eurofighter could be signed at the Paris

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THINKS DE

Air Show in early June. That is now highly unlikely, and as an added blow the aircraft is highly unlikely to fly at the air show. Eurofighter has restarted its flight test programme, but will not have a hop flight programme ready in time.

The further delay will come as an irritation to the other three partners in the project who have been waiting to sign the document for months. The delays have arisen because the defence ministry and German industry could not agree about how much money had been spent by whom to redesign the aircraft after Mr Volker Rühe, the German defence minister, demanded that the Eurofighter cost less. Michael Lindemann Bonn and Bernard Gray, London.

EBRD trebles its investments

The European Bank for Reconstruction and Development (EBRD) more than trebled its investment commitments in eastern Europe and the former Soviet Union in the first quarter of this year to Ecu286m (\$383m) from Ecu93m in the corresponding period a year ago.

The funds paid out in the first three months also rose

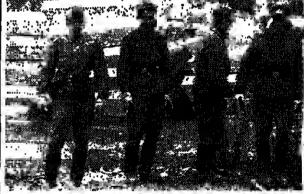
substantially to Ecu247m from Ecu73m a year ago, according to the bank's interim results released yesterday. Mr Bart le Blanc, EBRD finance vice president, said that first quarter equity investments had increased markedly to Ecu78m from only Ecu5m a year ago, as the bank seeks to increase its operations in the private sector.

The bank made an operating profit before provisions in the first quarter of Ecu7.4m compared with Ecu2.9m in the corresponding period a year ago. Provisions for losses on loans, advances and share investments have jumped to Ecul2.2m from Ecul.7m a year ago, which forced the bank into a net loss of Ecu4.8m compared with a marginal loss of Ecu66,000 a year ago.

Russian earthquake aid dispute

President Boris Yeltsin yesterday yesterday ruffled diplomatic feathers with the Japanese by implicitly accusing them of exploiting their offers of aid to the earthquake victims of Sakhalin to strengthen their hand in negotiations over the disputed Kurile islands. Speaking to reporters outside Moscow, Mr Yeltsin said

Russia did not need foreign assistance. "We can do it ourselves, without foreign aid, because they [foreign donors] will later try to bargain over their participation. The Japanese might say 'give us back the islands'," Mr Yeltsin said.



Russian soldiers stacking coffins for earthquake victims yesterday in the devastated oil town of Neftegorsk

The reference appeared to be to the Kurile islands, which were seized from Japan by Soviet forces at the end of the second world war and have been a source of diplomatic friction ever

Political observers suggested Mr Yeltsin's comments were perhaps no more than off-the-cuff remarks designed to pander to Russian nationalist sentiments but would nonetheless offend Japanese sensibilities. Earlier this week, Mr Yeltsin had publicly thanked foreign governments for their speedy offers of help and Mr Oleg Soskovets, the first deputy prime minister, yesterday met the Japanese ambassador to Russia to discuss ways of minimising earthquake damage in the region John Thornhill Moscott

Crimea cancels autonomy vote

Crimea yesterday complied with a stern ultimatum issued by Ukrainian authorities last week and cancelled a referendum on regional autonomy.

The June 25 vote was called in late April by the peninsula's pro-Russian parliament to try to reinstate the Crimean constitution and presidency. Both were abolished by Ukraine to March in an effort to snuff ont separatist sentiment on the predominantly Russian peninsula.

Crimea's capitulation yesterday reinforces the belief held by western diplomats in Ukraine that local politicians have lost the momentum to reforge closer links with Russia and Kiev has gained stronger control over the volatile peninsula. The local parliament is now working on a new constitution that keeps the Ukrainian region autonomous, but presumably in diluted form.

Matthew Kaminski, Kiev.

Van Miert mobile phone plan

EU competition commissioner Mr Karel Van Miert has said he is on the point of submitting his proposals on extensive leregulation of the mobile communications market to the Commission. "My department and myself are ready. I think it's a matter

of weeks now before it can be put on the agenda of the Commission," he said at the annual conference of the European Cable Communications Association in Zurich. To ensure that action is taken, the commissioner wants to take the still unusual step of producing his directive under Article 90 rules which means that it does not have to go to the Council of Ministers for approval. Mr Van Miert said he wanted those developing mobile services to be able to use

their own infrastructure "or at least be able to use alternative infrastructure". The possibla alternatives range from networks that could be supplied by electricity companies or the railways.

Raymond Snoddy, London.

Move to block Iberia aid

Spain's privately-owned airlines will attempt to block the case for a fresh injection of Ptal30bn (\$1.08bn) of state aid in Iberia, the national carrier, the Spanish airline association AECA said yesterday.

'We decided yesterday to fight Iberia's case and will do so through IACA [the international Air Charter Association]."
said AECA president Mr Felipe Navio. "It's a judicial action.
We have until June 6 to present it," he said at a seminar on the airline industry. Iberia's competitors are critical of its restructuring plan which they say will not leave it in a position to compete in an increasingly liberalised market. "We suggest reducing the size of the airline, while Iberia is doing just the opposite by swallowing its Viva subsidiary," Mr Navio said. Reuter, Palma de Mallora

Rising Spanish star wins his chance to shine David White profiles the centre-right politician who is on course to imprisoned under Franco, His

Since his mid-20s Mr Alberto Ruiz-Gallardón has been marked out for the forefroot of Spanish public life. Regarded by many as the brightest of a new generation of centre-right politicians, he finally won his

spurs this week at 36.
At his third attempt, Mr Ruiz-Gallardón is set to become the first non-Socialist president of the Madrid region after last Sunday's regional elections. His victory, which owes a lot to personal appeal, consecrates him as a potential leader of the Popular party, the national opposition headed by Mr José Maria Aznar, just six years his senior.

become the first non-Socialist president of the Madrid region ist-Communist pact deprived Mr Ruiz-Gallardon of the Madrid presidency. This time, the

PP won the majority, gaining as many seats as the combined forces of the left had before, and ousting one of the senior moderates of the Socialist party, Mr Joaquín Leguina. Mr Leguina had headed the regional government since It was set up in 1983 under plans to apply devolution not just to 'historic nationalities", snch

as Basques and Catalans, but throughout the country, including regions which had no Ohvious vocation for self-rule, such as Madrid.

The Spanish capital itself had already switched allegiance to the PP, which reinforced its hold on the city council on Sunday. But to take the most on Sunday. But to take the regioo, with its 5m people, required big inroads into tha "red belt" south of the city, long regarded as a captive vote

Mr Ruiz-Gallardón has a strong populist streak, although his tone is measured and unaggressive - contrasting with the stridency of some of his PP colleagues. His cam-paign included a four-year "crash programme" to create 200,000 jobs at a cost of Pta400bn (\$3.3bn), most of which would have to come from central government; legalisation of brothels; and a pledge to "throw the specula-tors out of Madrid".

More in line with overall party policy, he proposes to slash the number of civil servants and privatise everything except the region's water and metro companies.

After 12 years in politics, Mr Rulz-Gallardón, a devoted music-lover and keen motorcy clist, has not shaken off his youthful, precocious image. He has something of the diligent school pupil about him. His father was a distin-

He qualified as a prosecutor at just 23, and rose swiftly in the porty under its former head. Mr Manuel Fraga, holding a series of senior posts, most recently party leader in the Spanish senate.

guished lawyer wbo was

Meanwhile, Mr Leguina, 54, a part-time oovelist, announced this week be was withdrawing from politics. "I am not going resentfully," he said. "I am just going to do something else.

ENICY THE BUTTON

COMPORT AND ISC EVERYWHERE IN EUR

introduction of a single

sive planning and publicity

campaigns are needed to make

monetary union work.

But the Commission remains

confident that an unspecified

number of countries in the 15-

member European Union will

move to a single currency on January 1 1999. The introduc-

tion of Euro-notes and coins

will follow a maximum three

Brussels blueprint

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> In a 74-page document, the Commission warns there are big risks of currency instability during the transition to the single currency, and calls for strict adherence to the economic criteria for joining Emu to counter the threat.

By Lionel Barber

The green paper sets out a three-phase transition to the new currency, provisionally called the Ecn or European currency unit. Phase A: EU governments

should allow a delay of up to

one year between the date when they choose the partici-THE FINANCIAL TIMES
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pating countries (sometime between the end of 1996 and he European Commis-July 1998) and the irrevocable sion's blueprint on the locking of exchange rates. Minting and production of currency adopts a gradualist notes and coins would begin in approach, arguing that intenthis period.

- Phase B: The European central hank would fix parities. and begin operating a single monetary policy. Public deht should be converted in Ecus,

'An autonomous monetary policy is no longer a credible policy option'

and the ECB would deal exclusively in Ecus vis-a-wis third currencies such as the dollar and yen. Treasury bills, bonds, and their derivatives would operate in Ecus.

This would create a "critical mass" of about 90 per cent of the volume of all monetary transactions making Emu irreversible, according to Mr Yves-Thibault de Silguy, EU mone-tary affairs commissioner.

Phase C: The final changeover to the single currency would occur about three years later at a pre-agreed date. It would last for several weeks as national notes and coins are phased out, and the Ecu became sole legal tender. All cheques transfers and credit

The paper lists the benefits of a single currency: a more efficient single market, stimulation of growth and employment; elimination of transaction costs: an increase in international monetary stability, and enhanced joint monetary sovereignty for member

In response to fears in Britain and other countries about the loss of monetary sovereignty, the paper argues that member states will only lose a prerogative which in practice they cannot use.

"With capital moving freely between inter-dependent economies, an autonomous monetary policy is no longer a credihle policy option," the paper

The green paper also sets out a comprehensive list of the legal and technical issues raised by the introduction of the new currency. This includes the implications for the banks, financial markets and payments systems, companies, public administrations and consumers.

It identifies the need for legislation to ensure certainty for the legal continuity of contracts, and promises to consult widely before unveiling proposals for EU-wide legislation in March 1996.

Editorial comment and Personal View, Page 13



MUM'S THE WORD ON ECU

Mrs Emma Bonino will be a mixture of secret weapon and loose cannon in the forthcoming European Commission campaign to sell the new European currency to a sceptical public, writes Lionel Barber in Brussels.

A plain speaker, the Italian commissioner for consumer affairs has the advantage of speaking the language of the street, and is determined that economic and monetary union does not become an elitist enterprise run for the benefit of the banks and multinationals.

"My point of departure is my mother." she says. "She is 77, she does not travel abroad, and she does not use a credit card. She rents an apartment, and she pays gas, electricity and water hills. Somebody has to tell her that her life won't change."

Mrs Bonino bubbles with ideas for preparing public opinion for Emn. "We need to educate children at school. We could have monopoly

games called the Ecu. We need national television campaigns." She She also wants "donblepricing" displays in shops so that consumers can retain their sense of price.

Where will the money for the Emu campaign come from? Mrs Bonino says her Ecul9m (£15.6m) annual budget is too small to cope: national governments must contribute (though not necessarily those which fail to make the advance guard moving to Emn in 1999). "Policy without money is not good," says the

tics is a disaster. On one matter she is adamant. There should be no surrender to German pressure to drop the Ecu as the name for the new currency in favour of the Franken or the Franc. "Bru is neutral, it is not linked to any particular country," she says. "To change the name would be like

changing party two weeks before election day."

given final route to Emu

By Caroline Southey in Brussels

The European Commission yesterday mapped out the eco-nomic path EU member states must follow to achieve economic and monetary union.

The thrust of the proposals focuses on achieving stable monetary conditions by cutting deficits and resisting high wage settlements.

Mr Yves-Thibault de Silguy, commissioner for economic and financial affairs, said they were necessary for countries interested in translating economic recovery into sustainable growth and joh creation. "This is the only way of

overcoming unemployment and ensuring the economic convergence needed to achieve economic and monetary union," he said. The Commission used as its starting point figures which showed that most member states were a long way off meeting economic convergence targets on government deficits and debt.

former Italian MCP. "But money without poli-The debt target has been met by France, Germany, Luxembourg and the UK. Only seven countries are thought likely to achieve a government deficit at or below 3 per cent of gross domestic product by 1996. A majority of countries are

expected to meet the inflation target by 1996, although there are still wide differences in rates across the Union. Member states must meet

the criteria before entering the third and final stage of Emu, which includes the introduction of a single currency.

The commissioner's guidelines included: ■ Price stability. He warned

that exchange rate movements had affected growth prospects. Countries with appreciating currencies needed to guard against high wage settlements which could reduce the profitability of investments. Countries with depreciating currencies had to guard against wage-price spirals which could increase already high rates of

inflation. Sound public finances. Because exchange rate stahility rested on sound fiscal policies, member states should use the recovery to improve public finances by bringing down defi-cits to below 3 per cent of GDP as soon as possible.

Member states are also urged to improve competitiveness by implementing single market legislation, reducing the role of the public sector, investing in research and education and seeing through trans-European

Consumers to pay the price of petrochemical surge

By Jenny Luesby

Petrochemical prices have peaked on the European spot and contract markets, but they have set in motion inflation which manufacturers say will inevitably work its way through to consumers right across Europe. "The price rises have been alarming," says Mr Robert Nuttall, a purchasing manager for Kemira, the Finnish chemicals group, "and at the factory gate they have not stopped yet."

of the Financial Lunder Lambert. Stopped yet."

Co The Financial Times Limited, Number The company reports rises of One Sombwark Bridge. Loodon SEI 9HL 300-400 per cent for some prod-

ucts, and an increase of 30 per cent in the past year in the cost of its entire shopping basket of chemicals (used to make resins, polymers, paints and coatings). It expects this figure to reach 40 per cent.

Courtaulds, the fibres manufacturer, likewise predicts further increases, while Akzo Nobel says the petrochemical price rises have triggered a wave of unconnected increases in chemical prices "as every-one gets on the bandwagon". The spiral began last summer when the drought in Japan and a series of floods

and explosions in the US knocked out nearly a tenth of worldwide petrochemical capacity.

Shortages prompted price rises of between 60 and 300 per cent for the hulk chemicals used to manufacture all plastics and everything from consumer durables, through food, textiles and construction materials, to packaging.
But while the lost capacity is

now back on stream, and the US economic slowdown is seeing American producers export more, European petrochemical prices are only stabilising. rather than falling sharply. One resins merchant snggests the price rises were a fix

in the first place "agreed at a meeting of European petrochemical producers in June last year". Others argue that worldwide demand has kept pace with the restoration of the capacity lost last year. "We only need one or two

plants to come off-line and demand will outstrip supply again," says Mr David Glass, a petrochemicals analyst with consultants Chemsystems.

Purchasing managers for manufacturers of plastic equip-

ment, accessories and packaging, coatings, textiles and Polymer prices for European sales (DM/ton) adhesives report continuing shortages. "The whole basis of these prices has been supply

ease as demand moderates." That will only happen, says Mr Sipko Huismans, Courtaulds chief executive, once the rises have worked their way through to the High Street. "The process has already worked its way through the first stage of chemical producers, and is now at the manufac-

turing stage.

and demand," says Mr Nuttall,

"and we will only see them

Bulk plastic prices level off

Polystyrene Polypropylene

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widens shekel intervention band

Israel yesterday changed its foreign exchange rate regime to allow the shekel to vary within a wider band. But the central bank said the move was part of Israel's liberalisation efforts and would not alter the country's targeted annual 6 per cent devaluation.

"We view this as an integral part of our policy of liberali-sing financial markets and the

integration of Israel within world capital markets," said Mr Jacoh Frenkel, governor of the central bank. "The widening of the band will enable exchange markets to reflect more fully the market forces that are associated with large capital flows." Since October 1991 Israel has

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created stability in conditions of high growth and high infla-tion by employing a "diagonal

which allows the exchange rate to fluctuate from a pre-determined mid-point within a band while depreciating against a trade-weighted basket of currencies. The slope of the hand is calculated as the difference between targeted domestic inflation and inflation imported into Israel from the country's main trading partners.

In a series of adjustments yesterday Israel widened the

central parity to plus or minus 7 per cent from plus or minus 5 per cent; increased the central mid-point by 0.8 per cent; and increased the weight of the US dollar in the basket by 3.2 per cent from about 51.3 per cent on May 30.

The central bank said the 0.8 per cent upward adjustment of the mid-point had been made to compensate exporters for a loss of competitiveness follow-

ing new unified port taxes. The bank stressed the slope remained at 6 per cent. Economists said the widening of the bands could mark a gradual reduction in central bank intervention in the foreign exchange market to allow market forces to determine a substantial depreciation of the shekel as a result of capital

outflows in the wake of gradu-

ally falling interest rates. But the central bank said

this was only one possible sce-nario and the intention behind widening the hand was to allow greater flexibility in

The bank said the greater flexibility would increase the risk premium associated with capital movement and was in line with Israel's long-term policy objective of gradually its gradual widening of the band from 0 per cent in 1991.

the "Switzerland of Central

Asia" by developing its finan-

cial sector. The country has also adopted a comparatively liberal investment regime,

with the aim of attracting for-

eign capital into its limited

gold, oil and gas deposits.
"More than 64 per cent of our firms have been privatised and

there is no such thing as a state-owned farm," Mr Juma-gulov said in Paris after talks with World Bank officials. The

International Monetary Fund

has been forecasting a slight

rise in gross domestic product

this year. President Askar Akayev, the

region's only head of state not

a former communist leader,

has been battling with a reac-

tionary parliament and called fresh elections earlier this year

to produce e more amenable

legislature. His opponents have

accused him of acting in a

INTERNATIONAL NEWS DIGEST

Palestine talks at deadlock

PLO-Israeli talks on extending Palestinian autonomy were deadlocked yesterday over the scope of powers of Palestinian authorities in the self-rule areas of Gaza and the West Bank. negotiators said. But Palestinian and israeli delegates said they would resume talks next week in Cairo to try to resolve their differences, which Palestinians said threatened the

Mr Mohammad Rashid, an economic adviser to PLO leader Yassir Arafat, said the argument arose over Palestinian demands for a share in the tax Israel collects and the profits of telecommunications companies in the West Bank to help them take over and run telephone, radio and television networks there. There was also disagreement over how much authority Israel would concede in the civil administration of the West Bank. The Palestinians demand the kind of full control they have enjoyed in the Gaza Strip since July last year when Israel handed over to them 33 functions. The Israelis said they would hand over only eight spheres.

The talks followed assurances by Israeli foreign minister Shimon Peres that Israel would honour a July 1 deadline for expending PLO autonomy.

expanding PLO autonomy.

Curfew follows Nigerian riots

Security forces have imposed a dusk-to-dawn curfew on the northern Nigerian city of Kano after ethnic riots earlier this week claimed at least five lives, left scores of residents injured and destroyed hundreds of shops. Residents said the riots were triggered by a dispute between a local Hausa man and an Ibo from eastern Nigeria who argued over who should receive a tip from a car parked at a shopping mall.

Relations between the Christian Ibos and the Moslem Hausas have been at breaking point since December, when a Christian businessman alleged to have used the pages of the Koran as toilet paper was dragged out of a prison and beheaded by Islamic fundamentalists. Michela Wrong, Nairobi

Iran seeks oil talks with Russia

Iranian President Akbar Hashemi Rafsanjani said Iran wanted to co-ordinate oil and gas policies with Russia, Iran's IRNA news agency reported yesterday. Mr Rafsanjani told visiting Russian journalists on Tuesday that he had invited President Boris Yeltsin to visit Iran to discuss economic, military, political and other issues. No date has been set for Mr Yeltsin to visit Iran but such a trip would follow his decision not to yield to US pressure and to honour a multi-billion dollar, oil-for-arms deal concluded between Iran and the former

New Kenyan party set to register soon

The leading figures in Kenya's proposed new political party will try to register the group over the next fortnight, they said yesterday. The govern-ment's response would be "a litmus test" of its stated commitment to political reform.

Dr Richard Leakey, former director of Kenya Wildlife Service and opposition dissident Mr Paul Minte said in an interview they would apply for registration by June 15 at the latest and saw no reason why the request should be rejected.

"One has to proceed on the basis that if we are proposing something lawful and constitutionally allowable, we will be allowed to register," said Dr Leakey. "To anticipate no registration would be wrong," he

Last month's announcement

that Dr Leakey was planning to join the group being pro-posed by Mr Muite triggered a violent reaction from the rul-ing establishment, which appears to regard the as-yetunnamed group as a bigger threat even than the opposi-

President Daniel arap Moi has repeatedly attacked Dr Leakey, a third-generation white Kenyan, as an "arrogant colonialist and foreigner with

no understanding of Kenya". Kanu's insistence on the "foreign-ness" of Dr Leakey, his links with the west and supposed neo-colonial agenda has triggered speculation the government may try to block registration on the grounds the party is financed from abroad.

But Dr Leakey yesterday dismissed the notion of foreign funding as "absolutely preposterous. There's plenty of money in Kenya, Kenyans are



Dr Leakey: 'preposterous'

desperate to make the country work again, and our primary effort would be to make this local in every sense of the word. 1 am not interested in

running a foreign operation." Under Kenyan law, once registration papers are filed, the authorities have 28 days to deliver a ruling. This means the government will have to announce its decision shortly before a key donors' meeting in

Kenya will be facing criti-cism there from donors unhappy with its recent record of press harassment and slowness to build on the reluctant introduction of multi-party democracy in 1992.

Kyrgyzstan to receive \$680m in foreign aid model of reform hy the internaharbours ambitions to become

tional financial institutions.

Kyrgyzstan, the small central Asian state which nestles on the north-western shoulder of China, has been promised more than \$680m foreign aid by tha end of next year, after it won the approval of the international financial institutions for its amhitious reform pro-

The liberalisation process has been largely completed. The privatisation programme is progressing well," the World Bank said in a statement in Paris this week recommending aid to Kyrgyzstan. The package of money, which includes some previously committed funds, will be used for budget support and investment projects.

The small former Soviet state contains just 4.4m people and its spectacular mountain-ous terrain boasts few natural resources. But the country has pursued one of the most progressive economic policies among the Soviet successor states, being praised as a

Although Kyrgyzstan has made good progress in reducing its inflation rate and stabilising its currency, it is still struggling to control its public

'Liberalisation is largely completed. The privatisation programme is progressing'

the prime minister, said the main problem was raising sufficient taxes, and forecast that the hudget deficit would rise from 8.4 per cent last year to 11

Kyrgyzstan has attracted more aid per person than any other former Soviet state and

high-handed manner, although Mr Akayev is widely regarded as the most liberal leader in central Asia

Soviet Union.

England owed a vast amount to stand in cap-

tain Roh Andrew, His 17 points were the differ ence as each team scored two tries, while the

opportunities he was given to kick them reflect

England's advantages of territory and posses-

sinn. Tries for the Underwood brothers

reflected a more positive epproach. But England were still fitful and uncoovincing,

much of their play as colourless as their shirts.

Italy's tries were also a matching pair - com-

ing in injury-time each half. First wing Paolo

Vaccari charged down Catt's clearance to score.

Then Italian skipper Massimo Cuttitta, who

grew up in Durban, celebrated his return with

Scores: England 27: Tries - Tony Underwood, Rony Underwood; conversion - Rob Andrew; parentees Andrew 59.
Italy 20: Tries: Peuto Vaccan, Massimo Cuttitat; conversiond; - Diego

a try as his pack drove nver.

RUGBY WORLD CUP

Devaluation of an old currency

Huw Richards looks at the solid values of a pre-inflationary era

The fate premier Barold Wilson's pound in your pocket Jarrett sur may have stabilised, but rug. world hy so by's basic unit of currency, the point, is depreciating fast.

The first 12 matches in the world cup produced 653 points. just over 54 per game. This compares with 484 points at the same stage in 1991, and 585 in 1987. And both tournaments his internation were high-scoring hy historic and Neil Je

The full extent of inflation can be seen from England's winning score, 24 points against Argentina. This was regarded with striking unanimity as an ignoble, below-par under-performance.

But past England teams would have seen 24 as a very high score. Between the postwar restart of internationals in 1920 and the first world cup in 1987. England played 269

They managed 24 points only eight times - five against Scotland and none in 61 attempts against Wales. Since 1983 they have reached 24 in 10 of their 32 matches against Wales Scotland, Ireland and France. Nor was low scoring an English peculiarity. Between 1954 and 1966 there were 130 matches in the Five Nations championship. One, France's 27-6 defeat of Ireland in 1964, reacbed the mark set by England on Saturday.

Individual scoring records are showing a similar trend. Gavin Hastings 44 points against the hapless lyorians may have taken the beadlines. shattering previous records with a comprehensiveness that recalled Bob Beamon's world ong-jump record at the 1968 Olympics but there were plenty of other heavy scorers.

his dehut, ec for any inte in a decent

Mehrtens ha miortably

these records and say " who were they playi against?" Established rug nations would not h thought of playing Ivory Coa recently.

nese inward investment - and you still have an average of 47

South Africa v Australia are international rivalries of long pedigree - perhaps uncoincidentally, they were also the best matches of the opening round.

their opening Canada's Gareth Rees lane One explanation is to look

let alone awarding caps, until scored in the two lvorian matches - and the 67 in Wales' ungrateful response to Japa-

points per match. Ireland v New Zealand and

Yet the 62-point aggregate. New Zealand's 43 and even Ireland's 19 were all the secoud-highest in the 13-match 90year history of the fixture -and would all have been records before 1992. South Africa's 27 points were the third highest in 33 matches over 62 years, with the 45-point aggregate second highest in

One explanation is simple the increasing value of the try. Scotland's 39 points would only

967, Wales's Keith prised the rughy	Rugby u
oring 19 points on	Team
qualling the record	Pool A
ernational match.	South Africa
is now common-	Australia
good kicker on song	Canada
side.	Homania
aland's Andrew	Pool B
s topped it in both	Western Sam
onals, Roh Andrew	England
enkins were hoth	Argentina
into the 20s in	Italy
e cup games, while	Pool C

But take out the 161 points

,	Rugby union	world	cup	- a	ta	gland	e	
ı	Team							
i	Pool A	GP	w	D	L	PF	PA	
	South Africa	2	2	Ö	0	48	26	
	Australia	2	1	O	1	45	38	
	Canada	2 2 2	1	O	1	45	30	
	Homania	2	Q	Q	2	11	55	
	Pool B							
	Western Samoa	2	2	0	0	74	44	
	England	2	2	Ö	0	51	38	
	Argentina	2	Q	ō	2	44	56	
	Italy	2	Ö	ō	2	38	69	
	Pool C	_	_	_				
	Ireland	2	1	0	1	69	71	
	Wales	1	1	ō	Ó	57	10	
	New Zealand	1	1	0	0	43	19	
	Japan	2	0	Ō	2	38	107	
	Pool D							
	Scotland	2	2	0	0	130	5	
	France	2	2	Ö	0	92	28	
	Tonga	2	à	0	2	15	79	
	Ivory Coast	9	n	n	9	18	143	

have been 63 before 1971 and 76 up to three years ago. But England's 24 would have been unaffected, and would even have counted as 26 in the days of the four-point drop-goal before 1948. If the try has upped its

value, the penalty has vastly increased in frequency. As South African rugby historian Paul Dobson says: "The rules are much more complex than they have been and there are a lot more ways of offend-

Former test referee Clive Norling points to increasing incidence of the "professional foul" as teams concede three points to avert the possibility of seven. England heat Scotland and Argentina by scoring 45 points without a try.

2 0 0 2 18 143

Kicking is easier than it used to be. Dobson says: "Balls fly much better now. Kickers haven't got to cope with four panels of mud-caked seams." Techniques have also advanced. Rob Andrew has

benefited hugely from specialist training by former rughy league and American football kicker Dave Alred. Add in the perfect kicking conditions provided by much of South Africa and the giant hauls enjoyed by the likes of Jenkins and Mehrtens are readily explicable.

But the decline of tries is relative rather than absolute. Ireland and New Zealand managed seven between them. Changes in rules and playing styles have made it difficult for weaker sides to sustain resistance. Much was made of the rule giving the scrum put-in against the side who had taken the hall into a ruck as an impediment to attacking conti-nuity. But it also affects defending sides, depriving them of one possible weapon for slowing the game down and killing time.

The dynamic driving game perfected by the All Blacks in the late 1980s and much imitated since is tar more produc tive in scoring terms than the static set-piece-based game preferred hy earlier dominant packs

And no had thing. No-one wants to go back to the days when 3-0 was a common international scoreline and midfields stood toe to toe, paralysing movement. But there is something to be said for scoring retaining some scarcity

Think back to the lowest scoring games in world cup finals history - Australia's 9-3 defeat of Western Samoa in a deluge and Pontypool, and England's 9-6 semi-final win away to Scotland, both in 1991. Neither produced a try, hut both were utterly gripping contests, with every score immensely significant.

Both will he remembered wben many a 43-27 try-fest is forgotten. By differing from the norm and containing crucial elements of tension and uncertainty, they took on the same quality as baseball games where a 0-0 or 1-0 scoreline survives into late innings or a snooker frame which hangs on a long period of safety play. Pre-inflation they would have been seen as dour everyday contests. But when your cur rency devalues, old values take on a certain solid worth.

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It takes six victories to win the World Cup. So England are one third of the way. And no-one wants to peak too soon, writes Hnw Richards.

The first important objective, qualifying for the quarter final, has been accomplished with-out England ever looking like losing. And this was undoubtedly a better display than Seturday's struggle against Argentina. But with captain Will Carling sitting alongside impression-ist Rory Bremner to the King's Park stand, England's impersonation of serious World Cup candidates still fell some way short.

Italy posed different problems from the Argentines. Where the Pumas' power up front was vitiated by failure to use their backs effectively, the Italians were unable to offer a similar physical challenge but were much more

Ireland needed twn penalty sions and a penalty. Five other tries in the second half to gain a 50-28 victory nver Japan in Bloemfontein yesterday that kept alive their hopes of mak-

lng the quarter finals, AP South African referee Stef Neethling ewarded the penalty tries when the Japanese repeatedly collapsed scrums close to their line - believed to be the first time a referee has ewarded two penalty tries to one side in a world cup match.

Paul Burke scored 15 points

Ireland players scored tries against four for Japan in a match full of running. Ireland now face Wales in their final pool match. The

winner is likely to make the quarter finals while the loser would go bome. Japan's chances of advancing after two losses are virtually nil.

The Irish, towering over the smaller Japanese, dominated the set pieces and gave their backs plenty of room, but valiant tackling held off further thing at furious pace, finally hroke through for two tries late in the first half by Sinali Latu and Ko Izawa, both converted hy Yoshihito Yoshida. Irish hooker Keith Wood dislocated his right shnulder early in the match and was replaced by captain Terry Kingston. He will miss the rest

replaced by Shane Byrne. Scorers, Ireland 50: stes - David Cortery, Net France, Elmon Geoglegan, penalty by (2), Eddle Hoyer, Netl Hogent Conversions - Paul Burke (Riv penalties - Burke, Japan 20: stee - Seral-Latu, No Izawa, Self-Haod, Mescand Taluari; conversions - Yoshikho

of the tournament, and be

for the Irish with six conver-Austrelia 27, Canada 11

Ontside half Michael Lynagh scored a try that created gaps which led to two penalties by among his 17 points to lead Australia to a workmanlike 27-11 rugby world cup victory yesterday over Canada in a half-empty Boet Erasmus stadium in Port Elizabeth, Peter Ber-

Canada must now beat the Springboks to have any chance of advancing to the quarter-finals, while Australia are expected to defeat Romania and go through with South Africa. Lynagh's performance moved him past Grant Fox of New Zealand into second place on the

all-time world cup points list with 178. behind the 198 of Scotland's Gavin Hastings. The Wallabies won virtually every lineout, forcing Canada to change tactics. The Canadians employed more tenacious running and

captain Gareth Rees, Australian winger David Campese vastly improved on his opening game against South Africa, setting up Lynagh's try

and coming close to scoring twice, only to be stopped by hard Canadian tackling. The rugged match produced several injuries. Mark Hartill and Phil Kearns of Australie were replaced by Ewen McKenzie and Michael Foley respectively and Gareth Rowlands hobbled off for Canada, with Glenn Ennis coming on.

Australian coach Bob Dwyer criticised what be called over-cautions referening by Patrick



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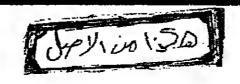
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Argentina faces revenue shortfall Chilean general vows

By David Pilling in Buenos Aires

Argentina's tax revenues for May are likely to fall well short of expectations, according to preliminary Treasury estimates, fuelling concern that the country may fail to meet ambitinus 1995 fiscal targets

agreed with the International Monetary Fund. By May 26, tax collection had reached \$2.68bn (£1.7bn), compared with a goal of \$4.026bn for the month. Economic activity and consumer demand, hit by a sharp contraction of credit, are rapidly cooling off, ue-added tax and import

Should the trend continue, many economists believe Argentina will have to contemplate a further round of spending cuts, or seek an IMF "waiver" - forgiveness for failing to comply with agreed tar-

insist that neither option is being considered. The IMF earlier this year led a \$7bn external rescue package for Argentina, whose economy was severely affected by the crisis following Mexico's deval-

Economy ministry officials

return for multilateral loans. Argentina implemented spending cuts and tax rises with the aim of producing a cushioning budget surplus of \$4.4bn.

In the first quarter, Argen-tina surpassed IMF requirements by registering a fiscal deficit of only \$875m, better than the agreed deficit of \$1.2hn. But targets hecome much stiffer in the remaining three quarters, with the Treasury expected to produce surpluses of \$0.6bn, \$2.6bn and \$2.5hn respectively.

The economy ministry says it is confident that, as liquidity

squeezing revenue from val- nation last December. In returns, revenue will rise four months of 1995 against the sharply as businesses pay their back taxes. Since the re-election of President Carlos Menem last month, an estimated \$2bn of the \$8.5bn that fled the financial system this

> Bankers say, bowever, that little of this money is likely to be used to restore credit in the real economy, as hanks will use returning deposits mainly to repair their balance sheets. The effect of the credit squeeze has been most clearly

year bas returned.

visible in the ptummeting demand for cars. Sales have fallen 38 per cent in the first same period last year, obliging many total manufacturers. such as Ciadea and Sevel, to announce the closure of their factories for much of June.

Argentina's fiscal position was further compromised this week when the privatisation of the state's remaining 25 per cent in Transportadora de Gas del Norte was suspended because of poor market condi-tions. Of the \$4.4bn hudget surplus planned for this year, \$1.4bn was due to have come from the sale of minority stakes in privatised energy

had apparently accepted that Gen Contreras would go to jail. But it is worried at signs that this will not close the chapter of trials for widespread human

to defy jail sentence

Gen Contreras protests on television at his sentence

Chile's former secret police chief has defied a Supreme Court decision upholding his conviction for the murder of Socialist leader Orlando Letelier, vowing he will never go to

Retired General Manuel Contreras claimed on television immediately after the ruling on Tuesday that be was innocent of the murder of Letelier, a former foreign minister, and accused "the marxists" of engineering a political trial.

The court also confirmed the sentence on Gen Contreras's second-in-command, Col Pedro Espinosa, for masterminding tbe assassination in Washington in 1976. The two had appealed against the sentences of seven years for Gen Contreras and six for Col Espinosa. Chile's army has not reacted

officially to the ruling, but two retired generals made statements regretting the sentences and claiming the cause of peace and reconciliation would be put back by several years. The army bigh command

of the role of his direct com-manding officer, the then-President Augusto Pinochet who is still bead of the army. Government sources say Geu Contreras is under army surveillance at his farm in an isolated region of southern Chile. They discount any idea that be might commit suicide rather

than give himself up. The

investigating magistrate, Mr

Adolfo Bañados, is expected to

years of military rule.

request police to deliver norifi-It fears that Gen Contreras's cation of the sentence to the conviction will strengthen general within the next two to demands for an investigation three days.

In the past two weeks a spotlight fell on two other cases in which Gen Contreras's force. DINA, is implicated. One was a case being beard in Italy where DINA is accused of attempting to kill Senator Bernardo Leighton, a Chilean Christian Democrat leader, and his wife, in Rome in 1975. The second case, conducted in Chile, is into the death under torture of a Spaniard, Carmelo Soria, in 1976.

Clinton to stand by minorities policy

By Jurek Martin in Washington

President Bill Clinton's administration is prepared to conclude that most US affirmative action programmes for women and racial minorities are still useful but that numerical quotas and some federal contracting preferences may have to be jettisoned in order tn

assuage white male resentment.

An internal analysis commissioned hy Mr Clinton speaks of establishing genuine goals rather than straitjackets or quotas", according to the New York Times. Existing affirmative actions programmes should be constantly reviewed for their effectiveness.

The report has not yet been approved

by the president but Mr Clinton may reveal its broad conclusions in an as yet unscheduled speech sometime in the next few weeks. Mr George Stephanopoulos, the senior White House adviser, said Mr Clinton was motivated not by politics hut hy "policy and principle".

Affirmative action is. bowever. already bot politics and a potentially big issue in next year's presidential elections. The Republican majority in Congress is determined to remove many such initiatives from the statute books while today Governor Pete Wilson of California is to announce the abolition of most state programmes.

In e speech last April, Mr Clinton acknowledged the concerns of what be

called "angry white males" convinced that they have been made the victims of discrimination over the last 30 years. The Supreme Court has several affirmative action cases before it and last week invalidated a scholarship programme at the University of Maryland exclusively

reserved for black students. According to the New York Times, the administration review highlighted contracting procedures at both the commerce and state departments giving limited preferences to minority-owned businesses.

Such initiatives had expanded procurement opportunities for minority businesses over the years, but the shrinking of the federal contracting pie

had meant real losses, especially for small white-owned companies. But it also said "consideration of race and sex is permissible" in certain circumstances, for example in correcting racial imhalances at a college or workplace or to counter a history of manifest discrimination.

Mr Clinton will have to walk a fine line, given the prevailing anti-government mood. Any substantial retreat from affirmative action risks alienating several minorities which still form a core Democratic constituency. Equally, hucking the trend could lead to more problems among white male voters. who preferred Republican candidates in last year's elections by a 6:4 ratio.

Philip Morris filters out the product harm

S moking causes lung can-cer, beart disease and emphysema account the US surgeon general. By comparison, the risk of a little coughing and sneezing as a result of contamination may seem relatively minor.

Yet Philip Morris, US maker of Marlboro, the world's best selling cigarette, seems to have acted in textbook fashion in its decision to recall 8bn clgarettes from the US market because of the risk that some of them could have been tainted with an extraneous have demonstrated that consumer goods manufacturers can recover rapidly from such crises if they are open with their customers about what has gone wrnng and act quickly and decisively to remove contaminated goods

from the market. Johnson & Johnson, the US drug company, was admired for its decision to withdraw Tylenol, its best selling paink-iller, from the US drug market in 1982 after an extortionist laced some containers with cyanide, killing seven people Tylenol later regained its market dominance.

Less impressively, Perrier, the French manufacturer of sparkling water, was seen as acting tardily and grudgingly when traces of benzene were found in its product in 1990. Eventually, it was forced to recall every bottle and the total cost was believed to have been twice the \$100m (£63.6m) spent by Johnson & Johnson. Philip Morris's recall,

although smaller in cost terms than some recent vehicle recalls by car manufacturers, ranks among the the biggest yet in the packaged goods market. It believes that retrieving and destroying the 8bn cigarettes - about three days' US production - will cost \$100m, and that it could lose the same amount again in lost sales.

The problem was identified on May 19 when a shopfloor worker at a company plant in Cabarrus, North Carolina, smelled an unpleasant odour coming from cigarettes on the production line. Production was halted and the smell was traced to a glycerine-based stiffening agent, or plasticiser, which is sprayed on to cigarette filters during the manufacturing process.

After several days of investi-gation, scientists at Philip Morris concluded that contami-nants in a batch of plasticiser supplied by Hoechst Celanese, a subsidiary of Germany's Hoechst group, were reacting with the cellulose filters to form a chemical called methyl isothincyanate, or MITC sometimes used as a commer-

cial pesticide. While the chemical was not present in dangerous quantities, Philip Morris said it gave cigarettes a metallic taste and that continued use could cause dizziness or temporary eye.

nose and throat irritation. It tried to retrieve all affected cigarettes from the distribution system but could not be certain that none had slipped through to retailers; so rather than take the risk, it decided to recall all its filter cigarettes from the US market.

Since announcing the recall last Friday, Philip Morris has tried to publicise and the reasons for the decision by taking full-page advertisements in newspapers, setting up a free telephone inquiry service for wholesalers, retailers and customers and keeping the media and stock market analysts

Meanwhile, some 5,000 Philip Morris employees, including 2,000 from the group's Kraft General Foods division, have been working through a list of 337,000 cigarette retailers, visit-By Tuesday they had called on retailers representing about 50 per cent of the company's US cigarette sales and Philip Morris reckoned it would take another week to complete the

Although the recall appears to be going as smoothly as could be hoped, some puzzles remain. Why did Philip Morris's quality control systems fail to pick up the contamination earlier? And why did the company seem to take so long

The swift recall of tainted cigarettes by the US tobacco group should placate the market, writes Richard Tomkins

Philip Morris says the contamination initially went undiscovered because the pres ence of MITC was a freak occurrence and quality control systems were not set up to detect it. Once a problem had become apparent, it took intensive efforts to identify the cause - again, because the pe:ple analysing it did not know what they were looking for. Another question ontstand-

ing is the one of blame. Philip Morris has repeatedly claimed that the tainted plasticiser was contaminated before it arrived at its factory. Equally, Hoechst Celanese has claimed that it has "found nothing to indicate that the company's products or processes could have contributed to the problem that Philip Morris has reported."

No doubt the lawsuits will fly in due course. Meanwhile, Philip Morris has cancelled plasticiser shipments from Hoechst Celanese, switching supplies to Eastman Chemical, and is testing the material by gas chromatography to make sure there is no recurrence.

Philip Morris's share price, nearly back at last week's levels, reflects the market's belief that there will be no lasting damage to profits.

"I think consumers will be very forgiving if they believe we bave acted in a prudent way and that the execution of our recall has gone well," says Mr James Morgan, chief executive of Philip Morris USA. "Cigarette consumers have immense loyalty to their brands. That is one of the characteristics of our industry.



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Tokyo's governor calls off Expo

Mr Yukio Aoshima, governor of Tokyo, declared yesterday he was cancelling the Y200hn (£1.5hn) World City Expo scheduled for next year, causing dismay among Japan's business and political commu-

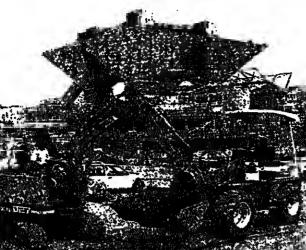
The expo was conceived by the previous governor during the height of the economic boom in the 1980s. It was intended to pave the way for an ambitious Y8,000bn water front project along Tokyo Bay. tagged the Tokyo Teleport Town. However, the prolonged economic downturn has forced companies and the metropolitan government to review the development, and the expo itself had begun to be regarded as an extravagance by many

Mr Aoshima announced earlier this month that be

ing hitter criticism from metropolitan assembly members and business leaders. His final decision yesterday flies in the face of a non-hinding majority vote by the Tokyo assembly to support the project.
Tokyo officials calculate that
cancellation will cost the

Tokyo government Y100bn in compensation to expo participants and other costs. The cancellation will also affect 122 provincial authorities, 46 foreign cities including London, Paris and New York, and more than 200 small husiness groups. However Mr Aoshima said he wanted to dispel the public's distrust in politics by keeping his promise.

The governor has final say over the decision but the metropolitan assembly bolds the idget, and Mr Aoshima needs its approval to pass a supple-mentary hudget to nullify the Y60bn put aside for the expo.



Work goes on yesterday in front of an Expo pavilion

pleasantly surprised by Mr Aoshima's decision, but husi-

Ordinary Japanese were bewilderment. Mr Kosaku Inaha, chairman of Japan Chamber of Commerce, said ness leaders expressed their the cancellation would hit com-

p*anies an*d organisations which had already invested in projects, adding that it would narm the economy.

"It is disappointing," said Mr Shoichiro Toyoda, chairman of the Keidanren, the most influential business lobby. "But we have to respect the decision as one reflecting public opinion." he added. Corporate participants in the

expo, many of which had invested large sums of money in their pavilions, made their disappointment clear Although we have expected such a decision, we are shocked nonetheless," said a Sumitomo official. Dentsu, the advertising agency in charge of co-ordinating the expo, said seven years of preparation had come to nothing. "What sort of compensation we are going to demand is undecided, but our financial loss is huge," said an official in charge of the agen-

Tiananmen dissidents issue freedom appeal

than half-dozen petitions sent

to the authorities in the

lead-up to the June 4 anniver-sary. The petitions represent the boldest challenge to the

government since 1989, and

indicate that the desire for a

review of the Tiananmen ver-

dict remains a potentially explosive political issue.

Meanwhile, Human Rights

Watch has called on leaders of

the Group of Seven industria-

lised nations meeting in Can-ada later this month to develop

a "common strategy" to exert

pressure on China over a "sys-tematic pattern of abuse" of prisoners and denial of politi-

The New York-based group

said that in the light of the

By Tony Walker in Beijing

Jailed Chinese dissidents have appealed for their freedom in a bold challenge to the authorities on the ave of the June 4 anniversary of the 1989 crackdown on pro-democracy activ-

In a handwritten document sent to China's parliament, 17 prisoners of conscience also called for a reversal of the official verdict on the Tiananmen episode. The authorities had described the protesters' actions as a "counter-revolutionary crime".

The petition's organiser was Mr Yu Zhijian, imprisoned for life in 1989 for throwing eggs at the portrait of late Chairman Mao Zedong which hangs over Tiananmen Gate on Beijing's

"In these six years, we have never regretted the road we have taken or the things we have done. Every day, in our hearts, we think of one thing: reverse the verdict on June 4.

Demands for a reversal of

present aweep against dissi-dents (some two dozen bave An unrepentant Mr Yu said: been detained in the past two weeks), it was crucial that the intarnational community should press Chma to respect international human rights

conventions. The group, established in 1978 to push for the observance of human rights, strongly crit-

common theme of the more icised the Clinton administrato "de-link" buman rights issues from renewal of China's Most Favoured Nation access to the US market.

One year after President Clinton unconditionally renewed MFN ... the Chinese government continues to impose tight controls on dissent and engage in a pattern of systematic abuse of prisoners," the group said in a report.

Tight new security laws have been put into effect. Torture continues in China's vast network of prisons ... as does the production by prisoners of goods for export.

Freedom of expression and association remain tightly restricted ... within the last two weeks, more than a dozen prominant intellectuals and other key activists have been taken into custody. It is essential that China, as an emerging power, be held accountable for its obligations to comply with international norms of behaviour, whether in the area of

Japan coalition hits trouble on war apology Democratic party out of the

By William Dawkins in Tokyo

The three partners in Japan's night to resolve a serious split over a proposed parliamentary apology for Japan's wartime

Premier Tomiichi Murayama said yesterday he would act with "grave determination" if the Liberal Democratic party, the senior coalition partner, continued to block the apology planned to mark the 50th anniversary of the end of the second world war.

His remark aroused speculation that Mr Murayama was coalition, thereby causing the

The LDP will do its best to stop the row going far enough to bring down the government, analysts in Tokyo say. Coalition members have given themselves until tomorrow to come to an accord, after passing yesterday's self-imposed

The row, hrewing since the coalition took power nearly a year ago, has attracted increasing attention from Japan's east Asian neighbours, an emharrassment in a year when Japan is chairing the Asia Pacific Economic Co-operation forum.

It has drawn criticism from human rights groups, confirming the Japanese foreign ministry's fears that the 50th anniversary will he a diplomatic

Mr Murayama, a pacifist. demanded LDP support for what would be the Japanese parliament's first collective expression of remorse for the war, as a condition for forming a coalition with his former

political enemies. This is the only principle the SDP has stuck to during its coalition with the conserva-tives. To oblige his LDP partners, Mr Murayama has agreed

to a sales tax rise and accepted Japan's right to have a military, thereby alienating his traditional voters. The original accord on the resolution must stand, he insisted yesterday. Over half the LDP opposes

Mr Murayama's wartime resolution, and could only accept a much watered down version. LDP politicians are sensitive to the support the party receives from the 1m members of the war bereaved families' associa-

There is an equally strong hody of resistance to Mr Murayama's proposal among members of the opposition whom are former LDP mem-

Unlike the general remorse in Germany, there is no con-sensus in Japan over whether the country's war record is a matter for apology. Many memhers of the older generation and the right believe Japan waged a war to oust western colonial powers from Asia. rather than a war of aggression against its neighbours.

Equally, the left and many younger politicians believe a heartfelt expression of remorse is vital to Japan's claim to wield international infinence economic clout.

Australian growth eases to 3.7%

By Nikki Talt in Sydney

Australia's economic growth fell back to 3.7 per cent yearon-year in the March quarter of 1995, with gross domestic product rising by just 0.5 per cent during the three months.

In the previous quarter, according to revised figures published yesterday, the year-on-year rate for gross domestic product growth stood at 5.4 per cent, and in the September 1994 quarter it was running at

ary pressures. As a result, the federal government has been taking monetary and fiscal action, through interest rate 1995-96 budget to rein in the

But while various statistics have already indicated that the economy is losing steam, yesterday's figures are the most the degree of slowdown.

They were warmly welcomed hy Mr Ralph Willis, the treapanied hy high productivity and low inflation".

UK Law Firm of the Year 1995

surer, who said they "confirmed the economy is on track for sustainable growth accom-Most private sector econo-

A growth rate of over 4 per mists also viewed the figures. cent is widely thought to be largely in line with forecasts, unsustainable for Australia, as favourable; some suggested paid to the prospect of further remains a risk to this view interest rate adjustments this Bankers Trust commented. year. "Our expectation is that official interest rates will not

92

remains a risk to this view," The exchange rate situation was given an extra twist yes-

weaker currency would help Australia's continuing current-account problems. Bearish traders took this as a sign the government is sanguine about the currency's fall, and sold it

down further.

The Australian dollar fell to its lowest level for over a year against most leading currencies, reaching US\$0.7124 at one

It closed at 48.5 points on the Reserve Bank's trade-weighted index, a level last seen in mid-November 1993. Mr Willis took the opportu-

nity to draw some comparisons the New Zealand econand likely to lead to inflation the latest growth numbers put weakening exchange rate omy. "NZ has got its_act together a lot better now," Mr Willis said. "But they have done so in a way more disturbing to their society than any rises last year and a tighter be altered in 1995, though the terday, when Mr Willis noted a thing that has happened here."

Ramos steps in over row on police

By Edward Luce in Manita

Philipplnes president Fidel Ramos yesterday pledged to take "a direct band" in restoring the credibility of the police force after congressmen called for the impeachment of the vice-president for refusing to attend an inquiry into the kill-

Vice-President Joseph Estrada antagonised congressmen and relatives of the deceased suspects when he said: "These people deserve to be wiped out."

A Senate investigation into the killings on May 18 of the 11 people, one of whom was aged 14, heard evidence this week from two policemen involved in the case. They claimed senior police force members had ordered the disarmed suspects executed.

A police statement said the

gang members had been killed during a shoot-out with police at the site of the alleged robbery in Manila. The two witnesses, Sergeant

Ednardo De Los Reyes and Investigator Cory De La Cruz, confirmed post-mortem find-ings into the deaths which said all 11 were shot in the head at close quarters. Forensic experts said only one of the gang's 11 guns

showed signs of having been fired, casting doubt on police descriptions of a shooton The furore is the latest in a long line of controversies over dubious police tactics which appeared to have been given

the seal of approval by Mr

Earlier this year, Mr Ramos stopped short of removing Mr Estrada from his post as chief of the country's anti-crime commission but deprived the body of much of its power, after it was accused of having carried out frequent extra-judicial executions to combat

violent crime. Mr Estrada, who has made no secret of his intention to run for the presidency in 1998 when Mr Ramos steps down, was also the object of widespread criticism in the recent congressional election cam-

paign.

Despite being deputy to Mr Ramos, Mr Estrada opeoly backed leading opposition candidates, including Mr Ferdinand "Bong Bong" Marcos, son of the late dictator, and Mr "Gringn" Honasan, a leader of attempted conps in the late 1980s.

"Estrada ls an unknown quantity." a western diplomat said yesterday. "He would not be as reassuring a president as Fidel Ramos. He represents the old-style Philippine politician, which is not very comforting."
Senators say the row over

the alleged officially sanctioned executions will not affect proposed legislation to reform the police force.

China offers compromise plan on HK legal system ied China on the issue

in Hong Kong

Sino-British talks about Hong Kong's future legal system took a dramatic turn yesterday when China proposed a com-promise plan for the colony's Supreme Court.

The two sides said a further unscheduled session of talks would be held today in an attempt to strike a deal. If successful this would avert another damaging row, hut British officials said they remained sceptical that a resolution could be achieved.

The status of Hong Kong's legal system has emerged as a crucial area of concern among the business sector and diplomatic community as the colony approaches its handover to China. Both sectors have lobb-

although the business community is opposed to setting up a court of final appeal without

Beijing's hlessing. Currently Hong Kong's supreme judicial body is the judicial committee of Britain's Privy Council. Britain and China agreed in 1991 that the court of final appeal could take over the Privy Council'a responsibilities before Hong Kong reverts to Chinese sovereignty in mid-1997,

The main point of contention between the two sides has been the extent of the court's jurisdiction. China has been concerned that Hong Kong's high-est court should not be able to rule on matters concerning China's sovereignty over Hong Kong. Britain believes that past agreements between the

two about "acts of state", such issues, cover China's concerns. Officials on neither side

would discuss details of Beijing's latest proposals, but it is believed that Beijing has withdrawn its demand for a "post verdict remedial mechanism to be set up alongside the court. This request alarmed Britain as it suggested that the court would in effect be something less than Hong Kong's court of final appeal.

The Hong Kong government wants legislation to establish the court hy the end of July so it can begin hearing cases in a year's time, Governor Chris Patten has stressed that time for an agreement was running out. British officials warned

ASIA-PACIFIC NEWS DIGEST

Taiwan's China trade rises 40%

Taiwan's two-way trade with China, mostly routed through Hong Kong, climbed 40.8 per cent to \$4.7bn in the first quarter of this year. The figure represented just 9.7 per cent of Taiwan's foreign trade during the period, but the continued high growth is seen as a sign of the island's increasing economic reliance on the China market.

Taiwan's premier, Mr Lien Chan, said on Tuesday that mainland China was likely to become Taiwan's largest trade partner, investment destination and source of foreign exchange surpluses by the year 2000. The US has long been the island's biggest trading partner. Exports made up the bulk of cross-strait trade flows at \$3.98bn, up 33.9 per cent. Largely because of the easing of curbs on imports of semi-finished products last year, imports rose 98 per cent to \$720m. Since the early 1980s, some 25,000 Taiwan-backed companies

have established manufacturing operations or other businesses in China. The Taiwan government has banned direct economic links with China since 1949, forcing trade and investment to be channelled through a third country such as Hong Kong. A relaxation of cross-strait political tensions in the past few years has spurred the growth of economic Laura Tyson, Taiper

Seoul plans education reform

South Korea plans to overhaul its rigid education system, overturning centuries of Confucian tradition by abolishing university entrance examinations, the main means to select students for higher education. The exams are considered so crucial that they influence the entire education system down to primary school. Universities will instead be required to select students on a wide range of criteria, including past academic performance and extra-curricular activities. The reform is meant to promote analytical skills and creativity rather than the rote learning encouraged by the university exams' reliance on multiple-choice questions.

The changes would help eliminate the "exam beli" students face as they prepare for entrance tests. Families spend as much as 10 per cent of their income on cramming schools, and poor families claim the system discriminates against them.

The government also promised to boost spending on education to 5 per cent of GNP, or an estimated \$31bn, by 1998 from its present 3.8 per cent. Doubts remain, however, about whether it will be able to achieve this goal since the government is also significantly raising spending on defence and infrastructure

Bond refused passport

newspaper said.

Mr Alan Bond, the failed Australian tycoon, yesterday lost an attempt to have his passport returned so he could travel to London for "husiness reasons". Mr Bond faces various charges relating to the alleged defrauding of Bell Resources in the late

1980s, but has been released on bail.

Judge Kevin Hammond, in the Perth District Court, ruled of Bond was a person "of great notoriety. The risk. . . of him absconding is significant enough for me to cause his passport to be withheld," he said.

Nikki Tait. Sudne.

■ Taiwan's Council for Economic Planning and Development plans to lower its target for annual GDP growth to 6.5 per cent for the next five years, down from 7 per cent. Reuter, Taipei The Chinese capital. Beijing, will ban smoking in main public places from October, officials announced in a resolution to mark World No.Smoking Day to mark World No-Smoking Day.

Reuter, Beijing
Capital investment by Japan's telecoms operators is likely

to hit a record Y3,320bn (\$40bn) in the 1995-96 husiness year, up 15.2 per cent, according to a survey by the Ministry of Posts Reuter, Tokyo ■ China has re-approved 11 of its 14 existing futures exchanges after an examination but has demanded strict implementation of trading regulations, the China Securities

Reuter, Shanghai

China's 11th hour intervention _ could be just posturing. **Bolger** in narrow win

sell-off

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on radio

By Terry Hall in Wellington The New Zealand government's tenuous grip on power ment's tenuous grip on power victory in a hill to sell off radio stations. Premier Jim Bolger's administration won only after seeking the support of breakaway MPs who have formed their own parties as the country prepares for proportional representation next year.

The narrowness of the win in the first vote of the new parliamentary session shows Mr Bolger is heading a minority government, only staying in power with the consent of opposition parties.

After the 1992 election win. his National party won a oneseat victory. Since then, two National backbenchers have resigned to form new parties of tbeir own; a right-wing Labour MP, Mr Peter Dunne, has formed a fourth party. The government now faces six opposition parties who together can easily outvote any of its proposals.

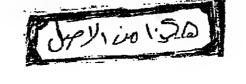
The new parties have been formed in response to opinion polls that show no party can

govern alone. Mr Bolger has made no secret of the fact he is seeking a coalition partner. Last week. Ms Helen Clark, the Labour leader, spurned an offer for talks. Observers believe that neither Labour nor the fledg-ling opposition parties will do anything soon to rock the boat. nor is Mr Bolger likely to introduce any too controversial

measures. The government won the vote in favour of selling the commercial radio stations by 43-40. Left wing parties -Labour, the Alliance, and New Zealand First - opposed the hill, but it was supported by the National, Christian Democrats and Future New Zealand parties.

It splits the state-owoed Radio New Zealand broadcast-ing company into a public radio company, to stay govern-ment-owned, and a 40-strong chain of commercial stations. likely to sell for NZ\$40m (\$26m). Mr Tony O'Reilly's Independent Newspapers Group, which last month bought the New Zealand Herald, the country's biggest newspaper, has heen among those to signal interest.





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NEWS: WORLD TRADE

Kodak exposes Fuji's market grip US tactics threaten

Michiyo Nakamoto on fierce competition in the Japanese colour film sector

of Eastman Kodak, said his

company bad been unable to

market or get its products in

more than 15 per cent of retail ontlets. Fuji, he alleged, used a

barriers - price-fixing in trade

A Konica representative

points out that when a com-

pany has a hig market share

stores are comfortable selling

just that one brand. In addi-

tion, the close ties between

Japanese film makers and

their distributors enable them

This pressure "is enormous,"

Mr Stork says. "As soon as

competitors found our prod-

ucts on the shelves, they would

come and move it to the cor-

to exert pressure on retailers.

the Japanese colour film

series of invisible trade

domestic rival Konica.

win more than 7-8 per cent of

be shelves of Tokyo supermarkets are lined with dozens of rectangular boxes in the familiar green and white pattern of Fuji Photo Film, Japan's dominant supplier of colour film. The yellow and black logo of Kodak, which is perhapa the hest known trademark among photographers throughout the

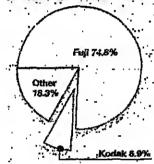
world, is nowhere to be seen. The dominance of Fuji in Japan prompted Kodak to file a complaint with the US government last mouth alleging that unfair business practices, particularly by Fuji, had kept it out of Japan's market for photographic film and paper. In some cases, Kodak claims, these unfair business practices were conducted with the knowledge and participation of the Japanese government.

Specifically, Kodak's com-plaint is that Fuji and other Japanese film makers systematically denied the US company access to distribution channels by employing anticompetitive practices such as rebate schemes, horizontal price-fixing and retaliatory

measures. Fuji rejects Kodak's claim as 'groundless". Both Fuji and the Ministry of International Trade and Industry point out that the colour film and paper industry has been carefully watched by Japan's Fair Trade Commission, which has never charged Fuji with anticompeti-

The Japanese market, Miti says, is open and competitive. For one thing, Japan does not impose duties on imported film, while the US levies a 3.7 per cent tariff, the trade ministry notes. According to Miti figures, Fuji's share of the Japanese market, 70 per cent against Kodak's 10 per cent. closely mirrors the US market, where Kodak holds a similarly dominant position and Fuji has a market share of about 10 per

Kodak estimates for 1993 based on rolls of colour film sold in Japan



Kodak's claim

Eastman Kodak, the big US and, if deemed accurate, will film and camera go either to the dispute manufacturer, yesterday settlement mechanism under released a 300-page the World Trade Organisatinn memorandum documenting its or to hilateral negotiations. If all else fails, the US Trade charges of exclusionary business tactics employed by Representative can impose Fuji Photo Film of Japan, Mr George Fisher, chairman

writes Nancy Dunne in Washington. Two weeks ago Kodak brought a complaint against Fuji, filed under Section 301 of US trade law, alleging that Fuji's anti-competitive trade practices have limited Kodak's market share in Japan. The charges will be investigated

Kodak dismisses such comparisons as misleading. According to its figures, Fuji has an almost 75 per cent share of the Japanese market. against a Kodak share of less than 7 per cent.

As in many trade disputes involving Japanese markets. while formal harriers to imports have been removed, analysts agree that the history of a closed market, the extremely high cost of entry into the market and certain business practices have made it difficult for foreign companies to build up market share. Mr Walter Stork, president of

Agfa-Gevaert Japan, points out that although tariffs on film imports were gradually reduced from 1980 and have been eliminated since 1990, initially they were as high as 40 per cent of freight-on-hoard

Miti notes that such restrictions in the early stages of economic development are not unique to Japan, Nevertheless, the result was that while these restrictions kept foreign companies out of the market, Fuji Film was able to build up a formidable presence, which still serves as one of the biggest obstacles for other manufacturers trying to expand in

When you have one film maker that is so strong that it has 70 per cent of the market, the consumer tends to identify film with that brand," Mr Stork says. Getting consumers to think of another brand when huying film requires tremendous investment in advertising, he notes.

However, consumer recognition is only part of the battle. Unless retailers are willing to he film so that ers can buy it, expensive advertising is wasted, Mr Stork

WORLD TRADE NEWS DIGEST

Boeing to delay Air France order

Air France said vesterday it had agreed with Boeing of the US to postpone aircraft orders because of the French carrier's financial difficulties. The US company will delay delivery of three Boeing 767s, three 737s and one 747 freighter. The aircraft were due for delivery this year and next.

The US manufacturer has also undertaken to organise the resale to a third party of a 767 aircraft which was delivered to Air France last year but never used. In return Air France has ordered 15 aircraft for delivery between 1999 and 2001. These include seven 767s and eight 737s. Air France has the right to replace this order with other Boeing aircraft if this is

warranted by the company's recovery. All Air France's options to buy Boeing aircraft have been allowed to lapse. The agreement follows the announcement in January hy Mr Christian Blanc, Air France chairman, that the carrier would cancel options and orders for aircraft. The airline said yesterday it was still negotiating with Airbus Industrie, the European manufacturing consortium, over a rescheduling of aircraft orders. Air France said it hoped to announce shortly an agreement with Airbus similar to the one Michael Skapinker, London negotiated with Boeing.

Slovakia cuts import surcharge

Slovakia, embroiled in tough loan negotiations with the International Monetary Fund, will cut its overall import surcharge to 7.5 per cent from 10 per cent by the end of 1895, a government official said yesterday. Mr Jozef Mach added the government planned to eliminate the tax hy the end of 1996 on condition that the balance of payments remained satisfactory.

The decision contrasts with the IMF's original request of a

timely end to the hlanket import tax. "The Slovak government considers the fact that the import surcharge will remain through to the end of this year as one of its biggest successes in its negotiations with [the] IMF." Mr Mach said.

The government and the IMF have been negotiating

an accord on the country's spending plans and economic policies, which would clear the way for the third tranche of a stand-hy loan to be released to support hard currency

Colombo seeks power investors

Sri Lanka yesterday said it was looking for private investors to play a leading role in a SLRs58bn (\$1.2bn) foreign investment in the power sector over the next 10 years, a government official said. Since loan facilities from donor agencies such as the World Bank were limited, private enterprises would be drawn into the power generating network, said Mr Leslie Herath, Cevlon Electricity Board chairman.

A consortium led by Impregilo of Italy had the lowest bid for the construction of a barrage and power channel at the Ghazi Barotha hydroelectric dam across the River Indus in Pakistan, a government official said yesterday. Impregilo's bid for the two contracts was about \$505m, which was \$300m lower than the originally projected cost. Bids for the contracts from Reuter, Islamabad six companies were opened on May 9.

 SNC-Lavalin, Canada's biggest engineering and construction management group, will provide engineering. equipment supply and project supervision for Kazakhstan's \$475m Aktyubinskneft plant to extract sulphur and gas from Robert Gibbens, Montreal crude oil.

associations, cash payments to financially strapped wholesalers and retailers to maintain retail prices, and distributor group boycotts. Mr Fisher claimed Kodak had lost out on sales worth up to \$6bn over the last two decades

Mr Fisber said that Kodak tried to tailor its products for Japanese consumers, engaged in promotion efforts by sponsoring Japanese sporting and cultural events, modified its management in Japan, and sought to build its nwn distribution network, hnt without success.

Observers point out that a commonly used tactic is to dis-Here. Fuji's dominance of the market is again a significant courage retailers from hanobstacle, not only for foreign companies like Agfa and dling a competing product by threatening to limit supplies of Kodak hut also for Fuji's

their own goods.
The control that film makers have over the photo-finishing business has also been a significant barrier, Mr Stork says. With about 80 per cent of this business controlled by the film makers, newcomers risk the danger that their film may not be processed properly.

Yet despite the informal barriers that foreign film makers have come up against, the recent experience of Agfa in Japan reflects a changing environment that offers a real

chance to loosen Fuji's stranglehold on the market.

One significant change is the growing influence of non-traditional retail outlets m selling film. While camera stores and film shops which have sold Fuji and other Japanese film for many years might be reluctant to try new hrands, new retailers are emerging to sell film either under the original brand or under a private

These retailers tend not to be tied down by industry conven-tion but are more interested in stimulating sales through lower prices, which imports can increasingly satisfy because of the yen's recent sharp rise.

Agfa has been able to take advantage of interest from such retailers by tying up with Daiei, a leading supermarket chain, Lawson, an affiliated convenience store, and Yodobashi Camera, a discount camera chain, among others.

The partnerships have helped Agfa to increase its market share from less than 1 per cent in 1993 to 5 per cent last year, including its films sold under private labels.

The company's experience suggests that the changes occurring in the market may provide the best opportunity to overcoming any barriers.

to 'unleash trade war'

By Guy de Jonquieres, **Business Editor**

Growing US protectionism and Washington's aggressive use of bilateral trade tactics threaten to unleash a "devastating" world trade war, the incoming head of US economists' leading professional body warns today. Professor Anne Krueger of Stanford University, presidentelect of the American Eco-

nomic Association, says US reliance on tactics inconsistent with World Trade Organisation rules risks undermining the world trade system by prompting other governments to take counter measures.

"While a sudden, dramatic collapse has little likelihood. there is a strong possibility of gradual erosiou and, ultimately, over one item or another, the outbreak of a trade war in which both sides stand firm, impose retaliatory tariffs and engage in a cycle of counter-retaliation," she says in a study*,

"The situation is even more worrisome hecause most Americans, including evidently American policymakers, appear to believe that the American economy is open and that only other countries are guilty of protection."

Nissan, Japan's second targest carmaker, will halt production of US-bound luxury cars in the first 10 days of June, Reuter reports from Tokyo. A spokesman declined to say whether the decision to hold production of the three Infiniti models, cited on the US list of cars subject from June 28 to

retrospective punitive tariffs, was related to the US threat. Nissan's US distribution network, with 150 outlets employing 3,300 workers, had mventories in the US sufficient for 60 days, the spokesman said.

However, the US has steadily raised trade harriers, through "voluntary" export restraints and anti-dumping and countervalling duty actions. These measures often harm US economic performance and reflect lohbying by powerful special interests, which increasingly shape trade policy.

Much of the rhetoric about Japan, the 'unfairness' of trade and other justifications for hilateralism and protectionism originates from those seeking protection for their own narrow interests, Many of the allegations do not bear close scrutiny," Prof Krueger says.

"schizophrenic" attitude which supports multilateral trade liberalisation, while increasingly favouring unilateral measures to close its own market and prise open those of trading

partners Prof Krueger does not refer pan trade dispute, in which Washington has threatened punitive tariffs on Japanese

luxury car imports. However, she strongly criti-cises other bilateral "marketopening" initiatives by the US. such as its 1986 semiconductor agreement with Japan. Such arrangements do not expand trade, but necessitate government-industry collusion and encourage US protectionism.

Prof Krueger also warns that lead to an increasingly protectionist stance by Nafta. She calls on the US to strengthen its commitment to the WTO eschew bilateralism, amend its trade remedy laws and ensure tbat regional trade arrangements comply with WTO rules. *American Trade Policy: A Tragedy in the Making, By Anne O. Krueger. American Enterprise Institute, 1150 17th Street NW, Washington DC 20036, Tel: 202-862 5800.

'IVOUI' (Thank goodness it's not called the 1476.)

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UNITED AIRLINES

New Boeing 777. Making room for business.

PM dismisses criticism of Bosnia policy

By Kevin Brown and Robert Peston

Mr John Major, the prime minister, yesterday mounted a strong defence of his decision to send a further 6,000 troops to Bosnia, and angrily rejected calls from Conservative MPs for a deal with the Bosnian Serbs to secure the release of British bostages.

Opening an emergency parliamen-tary debate on Bosnia, Mr Major said the extra troops would serve under UN command as part of the Uoprofor protectioo force commanded by General Rupert Smith.

The deployment was given full support by Mr Tony Blair, leader of the oppositioo Labour party, and Mr Paddy Ashdown, leader of the Liberal Democrats. However, there were clear signs of unease among Conservative

Several expressed concern about the British commitment to Bosnia. Others, including Mr David Howell, flagration that could have dragged in

chairman of the Commons foreign affairs committee, called for a relaxation of the arms emhargo to help the Bosnian government forces to defend themselves against Bosnian Serb attacks. However, the government's approach was backed by most senior Conservatives, including Sir Tom King, a former defence secretary, and Sir John Stanley, a former defence

Mr Major reacted sharply when one MP asked what the government was doing to get Nato to end aerial bombing of the Bosnian Serbs in exchange for the release of British hostages. Mr Major was cheered loudly by MPs on both sides as he snapped: "I yield to oo one in my wish to have those troops safely returned to their units but I am not entering into that sort of blackmailing deal."

Mr Major said the UN forces had saved many lives in Bosnia, and belped to check a wider Balkan con-

Albania, Bulgaria, Greece and Turkey with "disastrous" consequences for the whole of Europe. He said the taking of UN bostages was "a despicable act" without a shred of justification which would guarantee unremitting hostility to the Bosnian Serbs and condemn them to parlah status and international isolation.

"Bosnia is at a turning point. It must be made clear to the parties that, if they turned to all out war, the protection force would oot remain. It would be unable to carry out its task, and the risks would be unacceptable, be said. Mr Major said withdrawal was not his objective. However, he said the government's "ability to han-dle withdrawal if it is forced upon us would undoubtedly be helped by this

further deployment."
In a robust speech which clearly pleased the prime minister, Mr Blair said talk of withdrawal from Bosnia was "deeply unhelpful" and called for "firm resolve" against the "coercive

Fraud Office.

cial difficulties," he said.

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The shares, which belonged

to the pension funds, were

used to pay debts of these com-

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Scitex shares in this way was

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pensioners," Mr Suckling told

In November 1991, after the

death of Mr Robert Maxwell.

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companies was "desperate", he

The agreement to use the

never repaid, he said.

the court.

blackmail" of the Bosnian Serbs. "We should not engage in any truck with them whatever in which the release of hostages is in return for a pladge never to use our air power. That would be a mistake."

He said the choice for the UK was clear. "Do we stay out and let the conflict be resolved by force, or do we become involved in order to give at least the chance for a diplomatic solution to be found. However long this conflict goes on that choice remains the same.

Mr Ashdown said the decision to

send more troops was "a signal to the Serbs of our serious intent". He urged the US to commit ground troops. Sir Edward Heath, the former Con-servative prime minister, said it was "astonishing" that the UN had allowed more than 300 soldiers to be takeo hostage, and warned that calls for a tougher stance on Bosnia would lead to full scale war. He said there

was little danger that the conflict

slavia, and urged the government to consider using an ontside negotiator to secure the release of the hostages. Mr Tony Benn, the leftwing Labour MP, said the aims of the UN force were confused: "You cannot have British or French soldiers in blue berets acting as humanitarians and pilots in blue helmets bombing."

In the Lords, the UK parliament's upper house, Lord Owen, announcing ha was standing down as the Euro pean Union's peace negotiator, said the only way forward for Bosnia was for tha UN to be given "every possible assistance to sustain its presence on the basis of the impartial application of its humanitarian mission". Lord Callaghan, the former Labour

prima minister, said the UN should withdraw unless it could assemble an International force of 100,000. "Tha risks of escalation from the UN being there are greater than the risks of withdrawal," he said.

UK NEWS DIGEST

EDS wins large share of state IT contracts

The Department of Social Security has awarded a series of information technology outsourcing contracts worth a total of £813m (\$1.28bn) to three computer services companies. The contracts have gone to Electronic Data Systems, the US-based computer services group, Sema Group, the Franco-British com-pany and ICL, the UK-based computer and computer services company which is majority owned by Fujitsu of Japan. Under a 10-year contract EDS will take over operation of the four DSS area computer centres in Lancashire; Washington, Tyne and Wear, Livingston, near Edinburgh, and Swindon in southern England. Sema will provide and support data and telecommunication networks for customers in Scotland and the north and south of England. ICL will provide similar services in Northern Ireland, Wales and central in England, as well as a range of management functions. About 1,600 staff will transfer to the ontsourcing companies. The agreement maintain their present employment terms. The DSS expects to save up to 30 per cent over the first three years of the contract compared to present costs. The contracts are the latest in a series of moves by central government to cut costs by outsour-

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Openness on nuclear waste urged

The process by which the UK decides where to store long-term nuclear waste is opaque and flawed, according to the government's chief adviser on radioactive waste management. Str John Knill, chairman of the Radioactive Waste Management Advisory Committee, said a more open system would inspire greater public confidence. "We want complete transparency." he said, noting that countries such as Sweden and Finland were totally open about where they planned to store waste with the result that communities were much more willing to become storage sites. Sir John was directing his remarks at UK Nirex, the company set up by the UK nuclear industry to build a long-term nuclear waste deep store. Nirex is seeking permission to drill an experimental "rock lab" beside the Sellafield nuclear reprocessing facility, but has run into opposition from Cumbria county council. Sir John said Nirex had only recently disclosed that the Sellafield site was oot among the 500 potential sites it had identified in the 1980s. It was later added to a shortlist of 11 sites. UK Nirex said the company was under no legal obligation to publish full site details, and it was not convinced that doing so would serve a useful purpose.

David Lascelles, Resources Editor

US company wins name game

A multi-purpose indoor arena, said to be the largest in Europe, is to be known as the "NYNEX arena Manchester" when it opens in the northern English city next month. Nynex Cable-Comms, the US-owned cable communications company, is to sponsor the arena for five years. The largest venue of its kind in Europe, it was built with £37m (\$58m) of UK government money as part of Manchester's failed bid for the 2000 Olympic Games. Nynex is thought to have paid more than £1m to best off six competitors. The typographical style of the arena's logo ensures "NYNEX" dominates in capital letters, with the lowercase "arena" the second largest word and "Manchester" the, smallest. A member of the city's Olympic and Commonwealth Games bid team said: "Reducing the name of Manchester to third fiddle will not impress everyone, but there's about as much chance of the public calling the place the Nynex arena as there is of them calling the Oval cricket ground the Foster's Oval." Nynex retorted that the Oval, in south London, was more than 100 years old when its sponsor tried to change its name. Nypex was starting from scratch. Ian Hamilton Fazey

The number of deaths on British roads last year fell to the Transport said. Statistics showed there were 3,650 deaths compared with 3,814 in 1993. However, child and pedestrian casu alty rates rose and the total number of casualties, at 315,189, increased by 3 per cent. There were 46,531 serious injuries and 265,008 slight injuries - both up 3 per cent on 1993. Child casualties rose 6 per cent to 45,151. Car user casualties rose 4 per cent to 195,109 while car traffic increased by 2 per cent. There were 1,764 car user deaths - about the same as 1993 and 23,127 serious injuries, a 5 per cent increase. The department still has some way to go to achieve its aim of reducing total road casualties by one-third by 2000 compared with the 1981-85 average. Although fatalities are now 35 per cent below that average, all casualties are just 2 per cent below. The department attributes the lessening of the severity of acci-dents to campaigns on road safety, vehicle design and traffic-

virtual shopping

By Paul Taylor in London

A "virtual shopping mall" claimed to be the first in Britain in which customers will be able to make credit card purchases over the interoet free from the threat of fraud - was launched yester-

day by bank group Barclays. Electronic shoppers who "visit" BarclaySquare using a personal computer and modem communications device will be able to visit and buy goods and services from eight retailers including food retailer J. Sainsbury, toy shop Toys 'R' Us, cat-alogue retailer Argos and Eurostar, the channel tunnel passenger train operator.

Shoppers will be able to use their computer mouse to "click" on the shop they wish to visit, browse through the items on display, select anything they wish to purchase and take it to a virtual checkout where they will be given the total cost and then key in their credit card number. Goods will be delivered to the customer's home.

Mr Tony Slater, director of sales and marketing at Bar-clays Mercbant Services, Britain's largest processor of plastic card purchases, claimed yesterday that the developsecure electronic shopping".

Other electronic shopping malls are an established part of such as Prodigy, owned by Sears Roebuck and IBM, Comhas limited their growth.

eased recently as software developers have begun design-ing encryption and other security features into their prodocts. US companies hava already launched a oumber of secure electronic malls including marketplaceMCI, the Internet Shopping Network and Access Market Square run by Utah-based InterConnect West. BarclaySquare has heen developed in conjunction with Interactive Telephony, a private Jersey-based company which operates Supernet, an embryonic online information service featuring a wide range of electronic information. Barclays plans to expand the

commercial online services. puserve, and America Online. Concern about security issues

These concerns bave been

mall later this year. • Fewer than 25 per cent of internet users are willing to make an online credit card purchase, according to a survey published yesterday by Dataquest, a US market

UK bank launches Kevin Maxwell's 'larger role'

John Mason reports on the start of the trial of the tycoon's sons

Maxwell pensioo fund assets worth £122m (\$191m) were frauduleotly misused in an attempt to prop up desperately indebted companies controlled by Mr Robert Maxwell, the former publisher, it was alleged

in London yesterday.

The claim was made by Mr
Alan Suckling QC, opening the prosecution of Mr Kevin Maxwell and Mr Ian Maxwell, two of Mr Maxwell's sons, and Mr Larry Trachtenberg and Mr Robert Bunn, two of his former advisers.

The four men are all accused of conspiracy to defraud over the misuse of assets belonging to the Maxwell pension funds. Kevin Maxwell, who is accused of playing a larger role in the fraud than his three codefendants, faces two charges of conspiracy. One alleges that he con-

spired with his father, Robert Maxwell, to defraud Maxwell pensioners over dealings in shares worth £100m in Scitex, an Israeli printing compment

The other alleges that Kevin Maxwell conspired with Ian Maxwell, Mr Trachtenberg and Mr Bunn to defraud pensioners over their dealines in shares worth £22m in Teva, an Israeli pharmaceutical company.

The Teva shares were then

All four men deny tha National Westminster Bank to charges brought against them.
At the start of the trial, meet pressing debts and to try and prevent the collapse of the expected to last at least six Maxwell companies, he said. months, Mr Suckling gave the "All four defendants agreed to use the shares in this way. jury an outline of the case brought against the four defen-

The charges in full

This was dishonest and a fraud dants by the UK's Serious upon the pensioners," Mr Suckling told the court. This case concerns the mis-Mr Suckling then gave the use of assets of pension funds. jury a description of the struc-In the second half of 1991, the ture of the Maxwell business group of companies controlled by the late Robert Maxwell was This included publicly

in debt and in increasing finanquoted companies such as Maxwell Communication Cor-Robert and Kevin Maxwell poration and Mirror Group Newspapers, and unlisted comto help privately owned Max-well companies which were in panies such as the Robert Maxwell Group (RMG) which a "perilous" financial position, owned the European and New York Daily News newspapers. Mr Suckling decribed how

the pension funds and associated pension trustee companies were operated.

Many funds pooled their assets into the Common Investment Fund managed by Bishopsgate Investment Man-

agement (BIM), he said. Outlining the role played in the alleged fraud by Robert Maxwell, Mr Suckling said he was a director of most of the listed and unlisted companies and the pension trustee compa-

"He was, you may conclude,

dominant control in the group and the operation of the pension funds," Mr Suckling told the jury.

Revin Maxwell was a director of a number of companies including four of the pension trustee companies and BIM.

"Although he worked under the dominant control of his father he was closely involved In the financial affairs of the group. In the second half of 1991 be dealt on a daily basis with banks that lent to the group," Mr Suckling said.
"Of the defendants, he was the one most responsible for the misuse of pension funds

assets," he continued. Mr Bunn, a chartered accountant, had been deputy managing director of RMG and until late 1990, a director of

Larry Trachtenberg had been director of various Maxwell companies and had been originally responsible for fund man-

In September 1991 he became director of BIM and later of

Ian Maxwell was a director of several companies, pension fund trust companies and BIM. The trial was adjourned until

shares in Teva Pharmaceutical

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NOTICE TO CREDITORS PRIORSWALK PLC In Liquidation

THE INSOLVENCY ACT & RULES 1996 in accordance with Rule 4.10%, we, John William Powell and Michael Tomothy Bowell of Levy Geo in oxcretance with Rule 4.10%, see, John Williams Powell and Jafenda Timothy Bowel of Levy Get, 4th Flivor. Southfield House. 11 Liverycool Garden. Westbare, West Sousen. Byll JRV, gree ordere date on 25th May 1995 or were appointed dyn Legislature by ternhelics of members. Nonce in hereby goven that the Journal Legislature of the above amend company mend to make a first and final destribution in creditors. Oxeditors are required, on on before, both that 1995, being the last date for previous, to cond in these field Christian and subsenses on their violators if may, to the underspeed John Wildean Provedl and Michael Timothy Boured of Levy Get, 4th Floor. Somithfield Hower, 11 Liverpeol Gardeer. Somithfield Hower, 11 Liverpeol Gardeer, somithfield Hower, 11 Liverpeol Gardeer, somithfield Hower, 12 Liverpeol Gardeer, somithfield Hower, 12 Liverpeol Gardeer, somithfield Hower, 13 Liverpeol Gardeer, and June Liquidation, see, personally of the their solkans in such time and place on their deep and classes in such time and place on their deep and classes in such time and place on their deep and classes and action, or a default thereof they will be excluded from the beautif of an other deep and the continued from the beautif of an other deep and classes.

Law Courts Correspondent

By John Mason.

Count One. Conspiracy to defrand. Kevin Francis Herbert Maxwell, between the 3 July 1991 and 6 November 1991, conspired with Robert Maxwell to defrand the trustees and beneficiaries of the pension schemes that participated in the Common Investment Fund managed by Bishopsgate Investment Man-agement Limited (BIM) as investment trustee by disbonestly potting at risk 5,400,000 shares in Scitex Corporation Limited (the sharebolding), which formed part of the

assets of the pension schemes by using them for the purpose of Robert Maxwell Group plc (RMG). This conspiracy is evidenced by the following acts: 1) In

August 1991, depositing part of the shareholding with National Westminster Bank plc and leaving it there to secure overdrafts of RMG with the said bank until the sharebolding was sold; 2) Selling the shareholding and applying the proceeds of sale to the ben-

defrand. Kavin Francis Herbert Maxwell, Robert Henry Bunn, Larry Steven Trachtenberg and Ian Robert Charles Maxwell, between 5 and 21 November 1991, conspired together to defraod the trustees and beneficiaries of the pension schemes that participated in the Common Investmeot Fund managed by Bishopsente Investment Management Limited as investment trustee by disbonestly potting at risk 25,196,228

the assets of the pension Count Two. Conspiracy to schemes by using them for the purposes of the Robert Maxwell Group plc (RMG). This conspiracy is evidenced by the following acts: 1) Granting to National Westmin-

ster Bank plc (the bank) a charge over the shares; 2) Delivering the shares to the bank as security for credit facilities granted by the bank to RMG. 3) Signing and delivering to the bank two stock transfer forms in respect of

shares dated 15 November

Recession the great leveller as regional income gap narrows

cent four years earlier.

of the national average in 1968 to 99 per ceot in 1992, and Tay-

side, where it jumped from 95 to 105 per ceot in the same

period. Britain's poorest county in 1992 was Mid-Gla-

morgan in Wales, with dispos-

able income per head of £7,303. Incomes in Northern Ireland as

also varied widely from region

in Greater London but 51 per

cent in Wales in 1993.

whole were £7,625 a

By Robert Chote, Economics Correspondent

The gap betweeo Britain's richest and poorest regions is smaller than at any time for at least 30 years, as south east England struggles to maintain its lead over the rest of the country after bearing the brunt of the last recession.

The Central Statistical Office yesterday published regional economic accounts for the UK which showed personal disposable incomes per head in the south east bave been falling steadily towards the national average since the beady days of the 1988 boom.

Personal disposable income per bead in the south-east totalled £8.702 (\$13,662) a year in 1993, compared to a national average of £7,942 and the lowest figure of 27,189 in Wales. incomes in the south-east were 14 per cent above the national average in 1988 but less than 10 per cent above average by

Incomes in Greater London the rest of south-east England and the East Midlands have all fallen relative to the national average in the last four or five years, while the West Midlands, and East Anglia in the east, bave enjoyed increases consistently since the early 1980s. Scotland, Wales, Northern Ireland and the north and north-west of Eogland all slipped back during the mid 1980s, but gained ground on the national average in the late

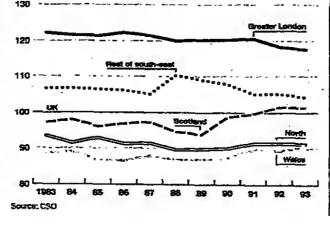
1980s and early 1990s. The changes in fortune are bigger still when regional trends are broken down into smaller areas. Surrey, south of London, for example, remained

with iocome per head of £11,550. This was 26 per cent up an eighth of household incomes in Northern Ireland. compared to only a twelfth in above the national average, compared to a lead of 43 per the UK as a whole. This is partly because a quarter of the Northern Irisb population are children under 16 compared to The biggest advances were in two northern English counties: Northumberland, where about a fifth in the rest of the income grew from 90 per cent

Regional differences in consumer spending reflect geo-graphical variations in income. Speoding in the south-east averaged £8,053 per bead in 1993. 15 per cent above the national average. Expeoditure per head was £7,085 in England, £6,607 in Scotland, £6,286 in Wales and £5,926 in orthern Ireland.

South-east Eogland The composition of incomes accounted for 35 per cent of to region, with wages and sala-ries accounting for 61 per cent personal incomes in the UK as a whole in 1993, though it had only 30 per cent of the country's population.

Regional wealth gap narrows Personal disposable income. Per head, UK-100



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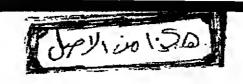
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hormone, called gibberellic acid, to produce a substance that slows the growth of grass down to a third of its normal rate. The agent is being tested prior to its 120 April 1 147 - 47 kg commercial development.

Professor Mander has won the
Boyal Society of Chemistry's 1994
Industrial Award for synthetic AND THE RESERVE TO TH organic chemistry.

Australian National University: Australia, tel 62493761; fax 62495995 there is no made Diamond wafer

I had a market gi diamonds is their exceptional ability to conduct heat: German scientists have used this quality to design diamond wafers that THE THE PARTY OF THE cool high-performance chips and onto-electronic components such as diode lasers. The Fraunhofer Institute for Applied Solid State Physics in Freiburg has developed a

technique using chemical vapour deposition to create diamond wafers. These can be directly connected to the surface of the electronic component, allowing its heat to be rapidly spread. Frainhofer Institute for Applied Solid State Physics: Germany, tel 7615159350; fax 7615159400.

A place where the

grass grows slower

A Canberra-based scientist has

come to the rescue of reluctant

compound that could sharply cut

the time spent mowing the lawn.

Professor Lewis Mander of the

Australian National University

has modified a plant growth

takes the heat off

Among the many qualities of

gardeners by developing a

From the chicken to the egg

Scientists in the UK and: Switzerland are developing an alternative to animal testing for assessing the toxicity of organophosphate chemicals.

These chemicals can inflict long-term damage to the nervous systems of people, such as farm workers, who have prolonged exposure to them.

Tests on the toxicity of organophosphate-type chemicals usually involve using live chickens. But scientists at the University of Herifordshire, in conjunction with the Swiss Institute for Alternatives to Animal Testing, have developed an alternative test that uses cultures of neural cells from chicken eggs.

The effectiveness of the technique is being assessed with a view to offering it for industrial use in 18 months' time. University of Hertfordshire: UK, tel (0)1707 284022; fax (0)1707

Hairy discovery for drug users

Researchers are developing new ways of testing for drugs in hair samples as an alternative to analysing urine or blood specimens. Tricho-Tech, a Cardiff-based business, is developing assays for barbiturates and cannabis to add to its battery of hair analysis

Drugs can be detected in hair because any drugs that are taken get incorporated into the hair shaft and remain in the hair as it

Compared with urine analysis, hair analysis can provide a better guide to the level and frequency of drug use over time and makes the intermittent use of drugs difficult to conceal. Tricho-Tech: UK. tel (0)1222 682051; fax (0)1222 759129.

Have modem, will travel

International travellers who use PCs often have difficulty in getting their modems to work with other countries' telephone networks.

TDK, the Japanese electronic component company, has launched a credit card-sized modern which has been approved across Europe and the US. It includes adapters that will connect it to most European phone sockets. The modem, which costs £399, is available from PPCP, a specialist peripherals

supplier. PPCP: UK, tel (0)181 8932277; for (0)181 8931182.

n Kansas, a diabetic woman talks to a nurse via her living room television about her recommended dose of medicine for the day. At a clinic in the rural town of McAllen, Texas, a little boy participates in a post-surgery conaltation with his Houston neurologist via video conference. In the suburbs of Washington DC, army doctors use robotics to perform surgery on animals 500 yards away, in the hope that one day they will be able to operate long-distance on humans.

These are examples of telemedicine, which allows doctors to examine and treat patients via computer or video link. Its use is gaining momentum in the US, where about 50 telemedicine projects are under way, up from just four in 1990. Most are financed by research founda-tions and the federal government. Yet the private sector is starting to take more initiative.

On May 1, GE Medical Systems formed alliances with BellSouth. Ameritech, US West, Bell Atlantic and Nynex to build telemedicine networks around the country. Later in the month, Southwestern Bell, GTE, AT&T, ALLTEL Missouri and Northeast Missouri Rural Telephone Co announced plans to construct a digital network linking Missouri hospitals for telemedicine.

Although its use is more wide-spread in the US, telecommunications operators in Europe, such as Deutsche Telekom and British Telecom, are developing systems. In the UK, a trial dermatology project involving nine public-sector doctors is under way using BT's PC Videophone equipment and IBM software. Doctors can examine stills and moving pictures of patients. The aim is to cut waiting and travelling times and to widen access to treatment.

Richard Satava, a doctor at the Walter Reed Medical Centre for the US Army, says: "I can foresee the use of health kiosks, which would allow yon to type in a description of your symptoms, and receive back a list of possible ailments, with a percentage chance for each one, and some suggestions for treatment. This might even be available on the Internet."

Holograms might one day replace the television monitors used for video conferencing, to enhance the effect of the physician being present in the room.

Manipulation devices could soon merge telemedicine with virtual reality to allow doctors to touch patients who are not in the room with them.

Long-distance surgery, on the other hand, is probably a more distant dream. "I think most people would not feel comfortable in an operation room with an absent surgeon," said Douglas Perednia, director of telemedicine research at the Oregon Health Sciences University.



Onscreen healthcare

Medical attention via computer or video link is gaining momentum in the US, reports Victoria Griffith

There are something things that will probably continue to be done in

person." For the time being, the telemedical focus is on video conferencing. Projects in the US use video links to reach patients in remote areas and allow physicians to consult specialists in other hospitals. In nearly all the projects, a patient must go to a clinic for the video connection.

Home healthcare, however, is a new area of focus. One Kansas project, sponsored by the newly formed company Innovative Health, provides video conferencing for chronically ill patients. The television monitor is switched on automatically several times a day in patients' homes for a remote consultation with a nurse or doctor.

Some video links have even been international, as patients in Saudi Arabia, Norway and other countries consult US physicians through a satellite link-up. In fact telemedicine, some observers believe, may eventually allow the US to "export" its healthcare services.

Driving the movement is a need to control the high price of medical treatment in the US. "Telemedicine offers an impor-

tant way of containing costs," says Yadin David, a doctor of hiomedical engineering for the Texas Children's Hospital. One study by the consulting group Arthur D Little a few years ago estimated that wide-spread use of telemedicine could save the health industry \$36bn

(£23bn) a year. "We can provide nurse consultations three times a day for \$40 a day," said Linda Roman, president of Innovative Health. "That's compared to \$80 a day for an in-home nurse visit."

Another factor driving telemedicine is the fall in costs for the technology. Equipment priced at around \$150,000 five years ago is now around \$20,000, for example. And smaller, cheaper dishes, moreover, may allow more teleconferencing to take place via satellite.

But telemedicine faces formidable barriers to growth as well. Some fear that congressional cost-cutting will soon eliminate federal support for telemedicine programmes. Unless the private sector takes over the movement could slow down.

Another issue of concern is reimbursement. Few insurance companies have set up mechanisms for

telemedicine reimhursement, and federal health programmes such as Medicare and Medicaid are also unclear on the issue. "The fact that tele-radiology took off after it became reimbursable by law from Medicare shows bow potent this issue is," said Jonathon Linkous, director of the American Telemedicine Association.

Malpractice is also a concern. There is always the fear that someone could say the doctor got it wrong because be couldn't see a skin spot or hear a heartbeat clearly enough." said Neal Newberger, senior partner at the consulting firm Centre for Public Service Communications.

These issues, however, may be addressed in the near future. One company, md/TV, is working on sophisticated technology that would provide crystal clear digital images to physicians working by video conference. And a number of bills now hefore Congress would resolve issues such as reimbursement and cross-state licensing for physicians. Medical attention could soon be

no further away than the touch of a television button, or a consultation by the family personal computer.

Belleli's clean steam

They are used to designing and building complex pieces of equipment at Belleti, the Italian engineering ountractor, but its latest prodnct, a complex 700-tonne mass of pipes and tubes, beats the lot.

It's called a radiant cooler steam generator, and is the first commercial result of a new technology which is likely to play a big part in the development of Integrated Gasification Combined Cycle, one of several promising "clean coal" power

generation processes.
The \$10m (£6.3m) machine is being transported from Belleli's Mantua factory to the US, where it will be installed at a 260MW IGCC power plant at Tampa, the first to be built in the US on a commercial scale.

The low-emission IGCC process involves turning coal into gas, purifying it and using the gas to run a gas turbine. In conventional combined cycle, the waste heat from the gas turbine is used to power a steam turbine too, but in the Tampa plant the main source of steam will be the Bellell machine.

Basically, in a giant high pressure boiler, the radiant cooler steam generator will form the vital link between the gasifier and the gas purification process. Its task sounds simple - to recover the heat from the gas that comes out of the gasifier at 1,500°C and turn it into

The problem, says Joachim Wilhelm. Belleli's technology chief, is that the gas cantains all the impurities of the original coal, including molten slag, hydrogen and some highly corrosive contaminants. This makes it much harder to recover the energy from the heat when using the traditional cooling method, quenching with water.

Belleli's response is a machine capable of simultaneously withstanding high temperatures and pressures, along with the contaminants. Steam recovery is improved sbarply, and that leads to a hig increase in the efficiency of the system, says Wilhelm.

Andrew Baxter

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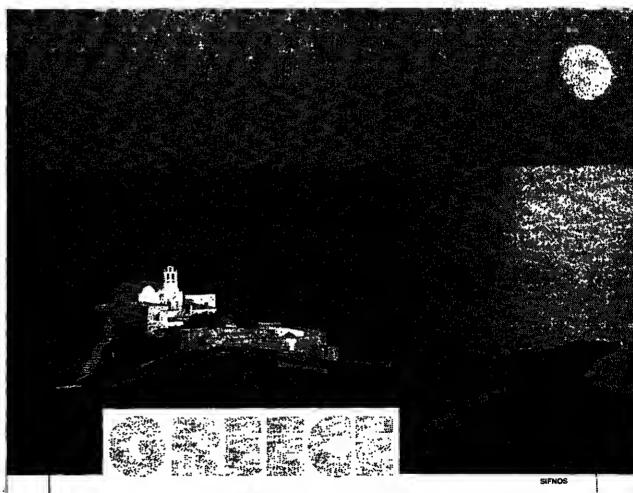
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FINANCIAL TIMES



LAND OF DREAMS

In Greece it's enough to take a moment and gaze down a

sida street to let your mind wonder off. The scenery looks

as though the colours came off a painter's pallet and so

explore these real life pictures to their full extent. The

experience will make your heart beat

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Makes your heart beat!

If you let Shell have its way, it'll soon be the only shell left in the North Sea.

An appeal to the shareholders of the Royal Dutch Petroleum Company and the Shell Transport and Trading Company P.L.C.

Old newspapers, empty bottles, used drink cans. You know exactly what to do with them. Shell also knows what should be done with its waste, but is opting for a different course of action. It is taking the sasy way out: dumping it in the North Sea.

Shell has decided to sink the contaminated offshore oil rig 'Brent Spar', which is situated off the
west coast of Scotland. According to Shell, the rig
contains over 100 tons of oil sludge polluted with toxic
chemicals, and 30 tons of low-level radioactivs wasts.
Dumping the Brent Spar would set a precedent: there
are more than 400 oil rigs in the North Sea which, if
dumped, would seriously endanger the entire marine
environment. Sinking oil rigs contravenes the international conventions which aim to prevent the further
pollution of the oceans. Yet Shell UK is still being
allowed to dump the Brent Spar.

And everyone knows, including Shell, that there is an excellent alternative -dismantling the rig and treating the wasts on land. Part of the rig can even be reused or recycled. A company which says it cares about the environment must choose the most environmentally-friendly solution and not saddle future generations with the problem.

Greenpeacs activists occupied the Brent Spar from

30 April, in order to prevent it being dumped. The protest has received enormous public and political support. The European Union's Environment Commissioner, the European Parliament, the Danish, Belgian and Icelandic

governments, and the opposition parties in the UK have all denounced the sinking. As have many of the company's Dutch shareholders. Denmark has put an item on the agenda of the Conference of North Sea Ministers which is being held in the Danish town of Esbjerg this month, demanding a ban on the dumping of off-shore installations.

All of this has, however, not yet convinced the British Government that it should reverse its decision. Nor is Shell willing to change its plans. During the recent shareholders' meeting, the company evaded all questions on the Brent Spar effair. What's more, the company has had the Greenpeace activists forcibly removed from the rig.

We are doing all we can to prevent oil rigs being dumped. You, as a shareholder, can also do somethingsend a fax like the one shown here to Shell, and send a copy to Greenpeace Netherlands (fax: 00-31-20-622-1272). Support Greenpeacs in its fight for clean oceans!

GREENPEACE

Save Our Seas

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To: Royal Dutch Petroleum Company Attention of: Mr. C.A.J. Herkströter, Chairman

From: _____

Company: _

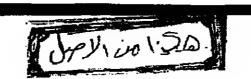
Position:

Dear Mr. Herkströter,

Sinking disused oil rigs like the Brent Spar will endanger our oceans. Toxic chemicals spilling from the rigs will disperse in the water, threatening the environment and all marine and human life.

As a shareholder in the Royal Dutch Petroleum Company, I am asking you not to sink the Brent Spar or any other shell oil rig in the sea, but to dismantle them on land.

Yours sincerely,





Cinema/Nigel Andrews

Surviving in the 'serious' nineties

said he had only one important piece of advice for young film-makers: "Stay out of jail." Yet was there ever a movie generation more in love than ours with the charm of dampation: with that voluptuous, eternal cycle of moral error and mortal come impance?

From America come Somebody To Love and Kiss Of Death, from Britain Mad Dogs And Englishman: three films about young people at criminal crists point. They live in a world where survival is a series of flaming hoops: drugs, lawbreaking, violence, jail. Even if you jump through them and live you are singed forever, and you will almost certainly leave behind your

The most startling - and interesting - thing about these films is their seriousness. Is post-modernism dead? After years of deconstructive fun with De Palma and Tarantino, are we now warming our hands before the true flames of

If so, the auspices are mixed.

Kiss Of Death is directed by a Barbet Schroeder who has clearly lost or discarded the sense of ludic malice that redeemed Reversal Of Fortune. Somebody To Love is written and directed at solemn fever pitch by Alexandre Rockwell, who last gave us the hithe movie-making spoof In The Soup, And Mad Dogs And Englishman is - well, we cannot say it is not funny, but it is not intentionally funny.

This is the feature debut of Henry Cole, a British ex-heroin addict from what the media cali a "comfortable background". He and screenwriter Tim Sewell obviously wanted to say important things about love drugs and the English class system in this tale of

smack-addicted Antonia (Eliza beth Hurley) and the three-way tug of war for her soul by the

men in her life.
Toffee-nosed aristo Jeremy
Brett keeps her in drugs.
American boyfriend C. Thomas Howell - long hair and leather - keeps her in love, or tries to. And Inspector Joss Ackland of the Drugs Squad, a man of few words and all of them delivered in a voice like putrefying broth, keeps her in fear of her life and virtue. Wa know he is interchangeable with the gang-

> MAD DOGS AND **ENGLISHMEN** Henry Cole

KISS OF DEATH Barbet Schroeder

SOMEBODY TO LOVE Alexandre Rockwell

> BYE BYE LOVE Sam Weisman

land barons he pursues; and that he wants to vent his frustrated incestnous feelings for his daughter (a passing subplot) by raping our heroine

Hurley goes through the film with a look that mixes arrogance and shellshock, Both seem appropriate responses. This ragged melodrama offers trite psychologising and triter sociologising. It was because her Daddy didn't loved her, we learn, that she hit the heroin trail. And it is because Britain is torn in twain by class and jealousy, implies Cole, that we are all shoving white powder up our noses or heating subtle poisons over a low flame.

Mad Dogs is a sermon that could have saved itself by being a black comedy. Kiss Of



Rosie Perez and Michael De Lorenzo in 'Somebody to Love'. Inset: Elizabeth Hurley is shellshocked

Death, showcased at Cannes and opening here next week, is a film noir that would drown in its own frowns but for one great performance.

Nicolas Cage is dazzling as Little Junior, the psychopath played in the original 1947 movie hy Richard Widmark. The hangdog comic star of Raising Arizona and Honeymoon In Las Vegas has transformed himself into a track-snited hulk. Truck-wide shoulders; a scowling beard; a voice, at once menacing and faintly gaga, that comes from some echo chamber in hell. To

pump his muscles he lifts nightchuh girls instead of harhells. Preparing to beat an enemy to death, he dons a son'wester to keep off the blood. And he introduces himself to hero David Caruso with his own huskily hmatic acronym: "B.A.D. - balls, attitude, direction."

Every time Cage is on screen we hear the crackle of a histrionic gunpowder trail. Will be blow? When? How? As soon as he is off-screen, the plot about a reformed car thief (Caruso) steering a survival course between the cops and the mob. with the Feds trying to make a threesome, reverts to noir solemnity. Caruso underplays to the point of catalepsy. Schroeder searches for a style. And Richard Price's script makes a companion piece to his last Widmark remake Night And The City. Once more self-conscious doom washes over a plot that manages to be both complicated and predict-

The third new movie with a shades-of-the-prisonhouse plot is Somebody To Love. Aspiring actress Rosie Perez loves barfly and bit-part actor Harvey Kei-

tel but needs \$10,000 to pay off Keitel's wife, Michael De Lorenzo, a young Mexican innocent, falls in love with Miss P and vows to get the money from the local Mr Big (Anthony Quinn). In return Quinn will require him to shoot someone.
We are not surprised that it

ends in a sticky mess. We are more alarmed that it begins and continues in a sticky mess, Writer-director Alexandre Rockwell, hearing today's apparently universal movie summons "Go Serious", has prepared his plot with all the

concentration of a pizza chef determined to omit no topping. The dialogue is delivered with frantic piquancy by the extraordinary-voiced Perez an actress who must gargle every morning with Tequila and chili powder. Tomato puree is liber-

are passing - guest appearances by directors Sam Fuller and yes, Quentin Tarantino, The result is both indigestible and self-cancelling. Tarantino himself rendered the overearnest underworld thriller redundant with Pulp Fiction, a film whose art lay in revealing art. It unpeeled narrative convention and questioned orthodox moral reflex. Somebody To Love offers no more than a feminist twist on an old, old cliche. This time it is the

ally sprinkled over the victims

of violence. And ethnic season

ing is abundant in the Spanish-Italian-Mexican cast. Throw in

also - while the condiments

We shall all weep copiously, of course, if post-modernism is dead. It was such fun. But perhaps it was only ever a means to an end: a way to deride and dissect aesthetic conventions so we can all move on to a

woman who can be saved by

the love of a good man.

Or to films like Sam Weisman's Bye Bye Love. Can a comedy suffer from portentousness? Yes, if made by modern America's Legion for Feelgood Decency. That body does not actually exist, but if it did it would surely have sponsored this tale of three divorced fathers (Matthew Modine. Randy Quaid, Paul Weiser) trying to bond with their children while huddying, mercilessly,

with each other This is one of those comedies where every time someone makes a joke the damage is quickly repaired by a moment of glutinous sentimentality.

Ten dancers' folly

he evening began with a male dancer hanging from a grey bit of scenery. He then walked to the front of the stage and vomited. What did he know that we didn't? Was this precognition? Criticism? A quaint Dutch warning? All of these, it turns out, as the Ten Dancers Ensemble from Holland began a brief season in Rosebery Avenue on Tuesday

The 10 dancers are members of Nederlands Dans Theatre (prop: Jiri Kylian) who have ganged up to show the world dances that they have concocted. The choreographers - a word I use with some reluctance in these circumstances -are Paul Lightfoot, Jorma Elo, Johan Inger, but there is little to distinguish the work of one from the others.

They each propose move-ment irrational, vulgar, undis-ciplined, based upon the same tedious premises about human behaviour (es neurotic, ungen-erous, combative) and cast in the same post-Kylian mode of predictable cramps and flexings of torso and limbs.

Imitation may be the sincerest form of flattery; it is the insincerest form of creativity. One of the most depressing things about this car-boot sale of dance is the fact that the performers (and notably the women) are well-trained. Not, though, that this counts for much in works whose purpose is hidden and whose ineptitude is not.

The evening brings, of course, its collection of shouts and cries. Two mad youths, got up as samurai, mince through the stalls telling us to settle down. The dances are ridden with gimmicks; at various moments in the evening there is a shower of soap bubbles; a leaflet raid of teeny pieces of paper bearing the words "Life could be a dream" ("But not here, Buster", is the answer to that one), and a fall of dust upon a couple who have lately been involved in what they think is copulation. Hands, toes, buttocks are bit ten.

The women have access to dull frocks. The men are most often in underpants, though one chap appears in the nude. albelt armed with a small saucepan. The steps are of that foolish kind which have to be decked with such stupidities as mask for inadequacy. As a view of the new or the questioning in choreography, the programme is a miserable deception, with posturing and

pretension its crimes. Significantly, the final piece of the evening is hy Kyhan: his Sechs Tanze using Mozart's bucolic German dances, Four couples are shown, inevitably, in white baroque undress. They behave with that monumental roguishness (powder flying from whitened wigs; skirts pulled and used as masks; flailing limbs) which passes for humour chez

NDT. Here is the mother-lode from which Kylian's disciples mine their lumpen offerings. They should be discouraged from further delving. And Sadler's Wells should be discouraged from harbouring such dismal

Clement Crisp

Opera/Richard Fairman

Billy Budd shows strength

n the quiet the Royal Opera has the story with a matching musical direct-instigated a double-handed pol-ness and a sense of menace that wells up company pays to put on new productions of popular operas itself, while it begs or reputation suggests and it is rare to come borrows rarities from abroad. If only some across a production that fails to get it to of the latter had not turned out to be such miserable efforts, it would have been a foolproof plan.

How mistakes can be made when the productions have presumably been evaluated at leisure in their original theatres is a mystery which need not detain us now. The important thing is that this new Buly Budd first seen in Geneva last year, is a strong evening which gives co-productions a better name. The props and costumes have been hired from the Théatre National de Paris, which now owns them (how complicated international opera can be) but the spirit of the production seems to have passed through the border controls intact.

From its premiere at Covent Garden in 1951, Billy Budd acquired a reputation as a difficult, rather gloomy opera, which it has taken the best part of half a century to shake off. Standing apart from it for e few years, one can see how negative feelings arise, but as soon as it turns up in the theatre again, its impact sends the audience ont reeling. The story is brutally straightforward, as highly charged with tension as the best nail-biting courtroom drama, and has at its heart a moral dilemma of which any Greek tragedy

would be propid. Apart from a few ancillary scenes involving the ships' officers, Britten tells

icy for renewing its repertoire from the bass instruments of the orchestra over the past season or two the like a tide of evil swelling up below. In short, the opera is far better made than its work - certainly not those seen in our national companies in Britain in recent years or this one of the original four-act version from Geneva, produced by Francesca Zambello and designed by Alison

> It seems fairly certain that Britten will have envisaged the opera in a naturalistic setting, but it lends itself easily to the spare stagings favoured by the producers of the 1990s. Zambello restricts herself to a movable grey platform as the heaving deck of the ship, surrounded by an abstract sea of blue. When it comes to marshalling the crowd scenes, she proves to be an effective captain of her own crew and the big moments are mostly well staged, especially Billy Bndd's hanging from the yard-arm, which must be among the most realistic yet.

At the curtain calls Zambello had to clamber up on stage through a trap-door in the floor, which is a remarkably ungainly entrance to give oneself at Covent Garden. For her sure handling of the drama she deserves better, notwith-standing those occasions when she cannot resist shouting at us the unspoken. To have Billy Budd, Captain Vere and Claggart circling each other in a triangle of sexual desire, a theme so carefully kept below decks by Britten, is the opera pro-

ducer's equivalent of switching on the flashing Durez signs.

In the title role the baritone Rodney Gilfry has travelled with her from Geneva. Tall, blond, youthful, he is an all-Ameri-can Billy Budd, like Theodor Uppman who first sang the role, a crucial asset to Zambello's production, even if he would benefit from some extra power vocally in the early scenes. Graham Clark craved indulgence for a throat infection, but I am not convinced that his plercing tenor would have the right kind of authority for Captain Vere even at full strength.

Of the central trio, it was John Tomlinson's Claggart which held one's attention rivetted, to the self-conscious stiffness of the gait, to the guilty far-away stare of the eyes, to the dangerous voltage which he radiated in the direction of anybody who looked his way. This was a disciplined portrayal, strongly sung, never overstepping the boundary into melodrama Among the rest of the cast Gidon Saks was outstanding as Mr Flint. John Connell made a natural, wise Dansker, David Wilson-Johnson a bumbling Mr Redburn and Mark Tucker a touching Novice. Robert Spano was the conductor, not e

Solti in winding up the tension or a Britten in demanding spick-and-span ensemhie, but a broadly effective purveyor of the score. All told, this Billy Budd is worth catching before the production sails off to its next port of call in Paris.

Production sponsored by The Friends of Covent Garden and The Britten Estate

Theatre/Alastair Macaulay

The Fire Raisers

Cruelly exploitative of his

t is good to see Max Frisch's black comedy and political satire. The . Fire Raisers (Biedermann und die Brandstifter, 1958) once in a while. Especially now, amid the spate of V.B.-related drama. For the obsurd tale that The Fire Raisers tells is also a clunking great meta-

Though Lenka Udovícki's staging at the Riverside (translation by Michael Bullock) is in modern dress, it is easy to feel ft is all about the gruesome tale of Germany in the 1930s. But Frisch was probably more concerned with depicting the communist takeover of Czechoslavakia. (And when the play was last seen in London, in a fringe production in 1990, it seemed strangely close to the poll tax riot that had occurred only days before.) Brilliantly, Frisch treats his political theme as a big black joke.

Arson is happening all round the city; Gottlieb Biedermann takes two strangers into his house who make little secret of their prison record and their petrol stores; and yet Gottlieb entertains them, shelters them, plays their games. He, Gottlieh, is a heartless capitalist fraud at work, but a

sophisticated liberal at home.

employees, he is a pandering ninny to the affable demands of his arsonist guests. He not only refuses to believe they are fire-raisers even when they tell him to his face, he even gives them the metches wherehy - as is obvious to everyone else - they will blow up his own house, himself, his family and the whole city. And that's only Part One Part Two is after death. Got-

tlieb and Babette Biedermann are not sure where they are. Everything is different, but they can recognise their own furniture. Will they be punished for their sins? In particular, for handing the matches to the arsonists? There are devils and angels, but they discover that neither heaven nor hell is properly functional any more. In beaven, all killers who were uniform for their killings are being forgiven; meanwhile the firemen manage at last to extinguish bell. Nothing has come to an end. and life will carry on.

As this grim but absurd metaphor for moral life under e totalitarian regime proceed Frisch keeps on nailing his political satire into place. Really, The Fire Raisers makes one hig simple point and goes on making it, but it does it so

deepening its theme and entertaining its andience at the same time. Udovicki's staging - like too much we have seen at Riverside Studios during this Red-

wittily that it never insults

your intelligence. It keeps

grave season - feels under-rehearsed. The style of The Fire Raisers is tricky to gauge: so tronic on the one hand, so melodramatic on the other. Everyone here chooses to underplay it: very welcome. But timing is sometimes slack, some ones get muffed, and the excellent Malcohn Tierney and Frances de la Tour, as Gottlieh and Babette Biedermann, could be a lot more excellent. Same goes for all the sup porting cast; everything could/

should be tighter. But every performance is amusing and

June 17.

interesting; de le Tour's belle laide sophistication has, here as often elsewhere, something haunting about it; and everyone involved works to reveal the play. The Fire Raisers is not a play that should be revived more often; its kind of absurdist expressionism would be exhausting were it more familiar. But, seen just once every so often, it is e tonic.

At Riverside Studio Two until

INTERNATIONAL

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BUDBLY

CONCERTS Het Concertgebouw Tel: (020) 871

 Royal Concertgebouw Orchestra: with the Netherlands Radio Choir. Mariss Jansons conducts Schoenberg and Shostakovich; 8.15pm; Jun 9 GALLERIES

Nicure Kerk Tel: (020) 676 6096 World Press Photo Exhibition: exhibition of 200 photographs chosen from approximately 30,000; to Jun 5

OPERA/BALLET Het Muziektheater Tel: (020) 551 Die Meistersinger von Nürnberg:

by Wagner, Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 1, 4 (1.30pm), 7 Royal Theatre Carré Tel: (020) 320

 Esmee: by Loevendle, World premiere based on a true story during the German occupation. Friedemann Layer conducts the

Netherlands Radio Philharmonic and soloists Jeanne Piland and Marie Angel; 8.15pm; Jun 2, 4, 8, 8

■ BERLIN CONCERTS Konzerthaus Tet: (020) 309 21 02/

 Berlin Symphony Orchestra: with trumpet player Reinhold Friedrich. Michael Schonwandt conducts

Copland, Zimmerman and Haydn: 8pm; Jun 4 Moscow Chamber Orchestra: with violincetlist Boris Pergamenschikow. Constantine Orbelian conducts Mozart and Tchaikovsky, 8pm; Jun 7

 Orchestra of the Deutsche Oper Berlin: with pianist Bruno Leonardo Gelber, Jiri Belohlavek conducts Shostakovich's "Symphony No.1" and Brahms' "Concert for Piano and Orchestra No.2"; 8pm; Jun 8 The English Concert Orchestra: Trevor Pinnock conducts an all Purcell programme in a concert that commemorates the 300th

anniversary of the composer's

LONDON

death; 8pm; Jun 5

CONCERTS Barbican Tel: (0171) 638 8891 Grand Classical Gala: David Coleman conducts the National Symphony Orchestra and tenor Anthony Mee to play a selection of classical favourites; 7.30pm; Jun 4

 Sonny Rollins: jazz tenor sexpohonist and one of the last survivors from a generation that included Miles Davis and John Coltrane: 7.30pm; Jun 3

Royal Festival Hall Tel: (0171) 928

 Philharmonia Orchestra: with soprano Alison Hagley, mezzo-soprano Catherine Robbin and tenor John Mark Ainsley. John Eliot Gardiner conducts Elgar's "Enigma Variations" and Britten's "Spring Symphony"; 7.30pm; Jun 4

 Philhermonia Orchestra: with violinist Maxim Vengerov. John Eliot Gardiner conducts Elgar, Bruch and Mendelssohn; 7.30pm; Jun 8 Royal Philharmonic Orchestra: with mezzo-soprano Olga Borodina. baritone Sergei Alexashkin and the Brighton Festival Chorus. Valery

Gerglev conducts Berlioz'e "Romeo

 Vienna Philharmonic Orchestra: Seiji Ozawa conducts Barlioz,

and Juliet": 7.30pm; Jun 3

Mozart and Prokofiev, 7.30pm; Jun OPERA/BALLET Royal Opera House Tal: (0171) 304

 Billy Budd: by Britten, A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Duykers and Rodney Giffry/Peter Coleman-Wright; 7.30pm; Jun 1, 5.

 La Bohéme: by Puccini. Conducted by Jan Latham-Koenig and directed by John Copley. Soloists include Cynthla Haymon, Nancy Gustafson and Roberta Algana/Tito Beltran; 7.30pm; Jun 2,

LOS ANGELES GALLERIES County Museum Tel: (213) 857 Kandinsky: Compositions: six of the seven surviving "Composition" paintings are presented along with 25 preliminary studies which trace the artist's evolution from figurative to abstract painting, from Jun 4 to

■ NEW YORK GALLERIES

Guggenheim Tel: (212) 423 3652 George Baselitz: approximately 100 paintings and several sculptures spanning three decades of the German artist's career, to Seo 17 OPERA/BALLET New York State Theater Tel: (212) 870 5570

 West Side Story Suite: New York City Ballet premiere. Conceived and choreographed by Jerome Robbins and featuring the music of Leonard Bernstein with lyrics by Stephen Sondheim; 8pm; Jun 2, 4 (7pm) THEATRE

Roundabout Theatre Company Tel: (212) 869 8400 A Month in the Country: by Ivan Turgeney and starting Helen Mirren: 8pm; to Jun 4 (not Mon)

PARIS

CONCERTS Châtelet Tel: (1) 40 28 28 40 New York Philharmonic: Kurt Masur conducts Strauss' "Métamorphosis" and Beethoven's "Symphony No.3"; 8pm; Jun 7 New York Philharmonic: Kurt Masur conducts Shostakovich and Beethoven: 8pm; Jun 9 Champs Elysées Tel: (1) 49 52 50

· French National Orchestra; with pianist Louis Lortie. Charles Dutolt conducts Debussy/Ravel, Grieg, Satie and Mussorgsky; 8pm; Jun 1 American Center Tel: (1) 44 73 77

and American artists reflecting on scale and size; to Jun 4 OPERA/BALLET Champs Elysées Tel: (1) 49 52 50

Micromegas: works by European

Ezio: by Handel. Conducted by Robert King, directed by Stephen Medcalf and with the King Consort. Soloists Include James Bowman, Susan Gritton and Dominique Visse: 7.30pm; Jun 6, 7, 9 Opéra National de Paris, Bastille Tet: (1) 47 42 57 50 Les Capulet et les Montaigu: by Bellini, Conducted by Bruno Campanella and produced by Robert Carsen. Soloists include

Jeffrey Wells, Cecilia Gasdie and

Jennifer Lamore; 7.30pm; Jun 3, 5,

VIENNA

CONCERTS Wiener Kammeroper Tel: (1) 512 01 Viennese Philharmonic Orchestra: with soprano Deborah Voigt and baritone Bryn Terfel. Giuseppe

Sinopoli conducts Schoenberg and

Wiener Konzerthaus Tel: (1) 712 12

Zemlinsky; 7.30pm; Jun 9

 Symphonic Ensemble: Franz Weiser-Möst conducts Liszt's "Les Préludes" and Shostakovich's "Symphony No.7"; 7.30pm; Jun 7 Viennese Symphony Orchestra: with planist Radu Lupu. Kurt Sanderling conducts Beethoven and

Shostakovich; 7.30pm; Jun 3

 Viennese Symphony Orchestra: with soprano Christiane Oelze. Michael Gielen conducts Mahler and Webem; 7.30pm; Jun 8

■ WASHINGTON CONCERTS Kennedy Center Tel: (202) 467 4600

 National Symphony Orchestra: with planist André Watts and soprano Bridgett Hooks, James Conion conducts Poulenc and Brahms; 8.30pm; Jun 1, 2, 3 GALLERIES

 James McNeill Whistler: retrospective of the expatriate American artist with more than 200 works: to Jul 20 THEATRE Arena Stage Kreeger Theater Tel: (202) 554 9066

A Month in the Country: written

by Brian Friel after Ivan Turgenev. Kyle Donnelly conducts a romantic cornedy; 7.30pm; to Jun 4 Folger Theater Tel: (202) 544 7077 The Merchant of Venice: by Shakespeare. Commemorating the 400th anniversary of the play, this production is directed by Joe Banno; from Jun 2 to Jun 25 Kennedy Center Tel: (202) 467

4600 Angels in America: Part Ona, The Millennium Approaches, Tony Kushner's Pulitzer prize and Tony award-winning play about sex, politics and religion; 7.30pm; to Jun

Studio Theater Tel: (202) 332 3300 Bessie's Blues: written and directed by Thomas W. Jones II. A musical portrait of blues legend Bessie Smith; 8pm; to Jun 4

WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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Financial Times Business Tonight

markets

Midnight Financial Times Business Tonight

Business in the moral maze



The effect of moral beliefs on economic subject importance to business and

REVIEW policymakers. in established capitalist societies, a failure to understand the connection between ethics and economics has led to much misconceived regulation, intended to impose inappropriate goals on business, in eastern Europe and the former Soviet Union, the failure to appreciate the ethical underpinnings of markets has hampered the development of capitalism, and led to a political backlash against reform.

This book consists of 10 says, mainly by economists, which attack the widespread hut false belief that market capitalism suffers from intrinsic moral defects. On the contrary, capitalism not only produces optimum economic outcomes, but is morally superior to the alternatives.

The problem, as Nigel Lawson argues, is that capitalism is seldom judged fairly by genuinely ethical standards. If capitalism depends on selfinterest, so do all other systems that offer inducements to action. The egalitarianism advocated by critics of capitalism is undesirable, immoral and impossible in practice, More positively, capitalism is the only economic system that both requires, and provides dependable support for, the fundamental moral values of liberty and autocomy.

Several papers in this volume demonstrate that there are institutional and moral preconditions which must be sat-isfled for the "invisible hand" of the market to produce optimum outcomes. This is a truth that Adam Smith recognised. but many academic economists since have not. At the very least, private property and contracts must be respected.

The moral prerequisites of capitalism are the same as those for business: distributive justice and ordinary decency. Distributive justice requires that organisational rewards reflect contributions made to organisational goals. Ordinary decency refers to the honesty, fairness, presumption in favour of legality, and absence MARKET CAPITALISM AND MORAL VALUES: Proceedings of Section F (Econnmics) of the British Associatinn fur the Advancement of Science.

Keele 1993 Edited by Samuel Brittan and Alan Hamlin Edward Elgar, £39.95, 168 pages

of physical coercion essential for the existence of trust and most long-term undertakings. Two essays expose the idio-cies of mainstream "business ethicists". Their belief that the only good husiness is one that eschews business is absurd but

dangerously widespread.

Despite these useful papers, the hook is disappointing. Even its best essays are flawed by a failure to recognise some basic conceptual distinctions. One damaging defect is the

failure to understand the ethical significance of motives. Motives are important in judging the morality of people. hut they normally do not matter in the evaluation of acts: their morality depends instead on objectives and consequences. Good and bad acts can be performed from a variety of motives; the same ethical act (eg, saving a life) can be done selfishly nr altruistically, out of duty or love or spite.

To the extent that capi-

talism is about economic acts, the agonising over motives which permeates this volume is misguided. The operation of the "invisible hand" does not require selfish motives, but simply making decisions according to appropriate crite-ria. As Samuel Brittan correctly suggests in his essay, Adam Smith's butcher, brewer and baker need only conduct themselves "as if" their acts were guided by enlightened self-interest. The maximising strategy which capitalism presupposes is compatible with the full range of emotional impulses; it can be motivated as much by the desire to provide for charity or one's family

as hy greed. Because most of the contributors misunderstand the significance of motives, they also fail to see that even the purest of motives cannot make bad acts

good. Contrary to what might be called the "Robin Hood syndrome", stealing from the rich to give to the poor is still stealing, and is therefore immoral. However worthy the causes they snpport may be, when business managers fund them by taking other people's money (ie, shareholders' assets), their demned as theft than praised

accompanied earlier trade lib-eralisation in the US. actions are more properly conon a much larger scale will now be needed as the newly "social responsibility". emerging countries, whether in Equally, even if governments' motives could be imagined to Asia, Latin America or the former Communist world, put downward pressure on the wages of low-skilled workers in be wholly pure, they could not prevent governmental acts from too often being ignorant or stupid or foolish.

A second major flaw of the book is the mistaken assumption that albuism is unequivocally good. An altruistic act is simply one done to benefit interests other than the actor's own; it is defined by the other-serving" nature of the agent's intention, not by anything intrinsic to the act. Accordingly all sorts of acts. including thoroughly wicked ones, are compatible with altruism. Failing to recognise this, most contributors naively identify ethics with altruism and misrepresent them both.

A third set of problems arises because many contribu-tors accept the wrong but widely held view that ethics must be either some form of utilitarianism or of Kantian deentology. This leads them to ignore those important moral truths which demand a richer, more realistic and more substantially grounded explanatory framework. Such concepts as merit and responsibility which are central to understanding the connection between ethics and economics are not available if their impoverished view of ethics is

taken seriously. And ultimately, that view leads them to overlook one of the most important moral defences of capitalism: the fact that the liberty it supports is a precondition not only of economic optimisation, but of moral responsibility Itself.

Elaine Sternberg

The reviewer is author of Just Business: Business Ethics in Action (Little Brown, 1994) and a consultant on business ethics and corporate governance

ECONOMIC VIEWPOINT f trade is opened between two areas both sides gain. Otherwise the trade

Wage pressures from 'South'

By Samuel Brittan

ford argues persuasively that it is now pretty free to move to aeek the highest returns, because of financial liberalisation and the spread of property rights and other capital friendly policies in the South. Another assumption is that there are constant returns to scale in the long run in man-

rould not take place. But

not everyone inside each area

need do so. There can be losers on both sides, whether the areas in question are regions, countries or vast geographical

expressions, such as 'North' and 'South'. This is not an

argument against free trada, but for the gainers to reach out

for the losers and try to com-

pensate them. This was the motive behind the Trade

Adjustment measures which

It is possible that something

One person who raised the

issue early in Britain was

Douglas McWilliams, of tha

Centre for Economic and Busi-

ness Research. There followed

a book by Adrian Wood, North

South Trade, Employment and

inequality, devoted to the the-

sis. This has now been fol-

lowed by Professor Patrick

Minford and associates in a

paper for the Centre for Eco-

nomic Policy Research, The

Elirir of Growth, which finds

in 'Southern' competition the

clue to the growing wage dis-

parities inside several coun-

tries, above all the US and

Britain. (These disparities are

less apparent in continental

Europe because more rigid

labour markets lead to the

pressures being felt in high

unemployment instead.l An

enlarged version of the Min-

ford paper, paying special

attention to how best to help

the unskilled workers of the

North, is to appear next year in

a book, Unemployment Policy

(Ed Snower and de la Debesa),

also for the CEPR, (25 Old Bur-

Some heroic simplifications

are of course required to gener-

alise about global trends at all.

Prof Minford distinguishes

between five factors of produc-

tion involved in most economic

activity. Three of these are

immobile: namely skilled and

unskilled labour and land.

Unskilled labour is immobile

because of 'Northern' restric-

tions on immigration, Skilled

workers are relatively immo-

hile because they prefer to live

and work in their own coun-

tries and they can earn enough

to satisfy their preference. Many past theorists of inter-

national trade have held capt-tal to be immobile. But Min-

lington Street, WIX ILB).

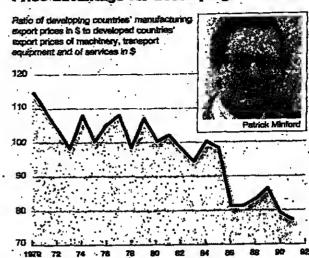
ufacturing. His conclusions are: 1. That differences in relative income per capita depend on the technology used in the sec-tor taking part in international trade and also on the past accumulation of savings and skills - the latter embodied in the ablitties of the better

trained workers. 2. The speed of overseas investment and technology transfer is determined by the economic environment and respect for property rights in the recipient country, as well as by the state of the art in transfer and communications.

3. The transmission of capital to the emerging markets in the South makes the world as a whole better off. It raises productivity and living standards in the South. It also improves the terms of trade of the North, as shown in the chart. But it reduces (if uncorrected) the absolute living standards of unskilled workers in the North As Minford remarks, "this poses challenges to those rich countries both for social policy and for the maintenance of popular allegiance to free trada". That is to put it mildly.

Minford has some brave estimstes of the size of the effects emanating from growth in 'Southern' productivity of 2.3 per cent per annum sustained for over 23 years. This generates an increase in world real disposable income of 2 per cent per annum. Most of this is dne not to the physical increase in productivity but to gains from increased trade and the drawing of new supplies of factors such as land and labour into the world economy

In the South unskilled wages rise by 25 per cent per annum in real terms. In the North, Price advantage for developing countries



real disposable income rises by 1.9 per cent per annum. Returns to skill and land continua to grow, but real wages for unskilled workers fall by 2 per cent per annum. Not sur-prisingly there is an increase in both human capital and land in use, while unskilled labour diminishes in supply.

Looking beyond the period of the projection, unskilled wages in the North could not carry on

The world gains. But absolute living standards of unskilled workers in the North fall

falling for ever - if only because they would eventually fall below wages in the South and the whole story might go into reverse. But the moral is that downwards pressures might go on for a long time.

Inevitably part of the Minford paper is taken up in arguments with American economists who deny that the pressure on the less well paid in the US has much to do with competition from the South.

The favoured mainstream US explanation is in terms of a shift in technology in favour of skilled or educated workers and against unskilled ones. But the sources of this shift are mysterious - it did not happen in previous periods of technological advance, If the American economists are right. the policy problems are less formidable, because a technologically determined shift in the relative demand for different kind of workers can easily go into reverse, whereas the essures from modernisation

likely to be longer lasting and more formidable. Minford concedes that both trade and technological pressures may have been at work. There is one crumb of comfort to be drawn. The estimates of falling 'Northern' real wages apply to averages over many countries. Real wages for UK manual workers are below those of most EU countries, as well as of North America. Thus British workers here may not

need to suffer the absolute

decline predicted by Minford

for the North as a whole and

might be able to escape with

no worse than stagnation.

in the developing world are

There are many further matters to explore. If real wages for unskilled workers fall also. for unskilled workers tail also.
lutely in the North while over.
all growth continues, who pockets the difference? Many earlier writers would have said: the owners of capital. But if there is a going worldwide rate of return and an elastic supply of capital then it would be difficult for the profit retail. be difficult for the profit rate in the North to vary very much. The gains are thus dis-tributed between skilled work. ers and owners of land.

If the price of land rises this represents a windfall gain -like a rise in the price of oil for Middle Eastern shelkhs - and stands out as a legitimate source of taxation for the top-up payments it will be neressary to make to unskilled workers. Company accountants put land together with huildings and equipment in estimating total fixed assets: and it is notoriously difficult to separate pure space from the effect of improvements, such as drainage, which could be discouraged by badly drawn up attempted by the British postwar Labour government. Nevertheless a sufficient rise in land values will focus the spotlight on the rewards from landholding in a way that has not heeu seen for many

In any practical application of the Minford or similar models a more detailed discrimination between categories of workers would be necessary. There are not just two kinds of worker, but a whole spectrum of abilities, temperaments and attitudes; and it is difficult to draw a sharp dividing line between those who will be raised up and those who will be cast down.

There is no space to discuss in one short article both the downward pressures on the market-clearing pay of unskil-led workers and the best kind of top-up measures to help the victims. But I agree with Minford that payments of a negative income tax kind (NIT) are the best bet. As he says, the UK tax and social security system has many elements of NIT, hut there is further to go. The result could be called a Minimum Income Guarantee, which distinguishes it from a Basic Income, which - however desirable - is not affordable in the present conformation of labour markets. I would not, however, follow Prof Minford in going back to the "Victorian model" of administering the top-ups "locally with discre-tion", as a more personal colunn this Monday will explain.

Bright ideas have always been the richest natural asset of our home state.



L-Bank is the development agency of Baden-Württemberg one of Germany's most productive federal states.

Rich oil and natural gas deposits are something that Nature neglected to locate under the fertile soil al' Baden-Württemberg. As if to compensate, the state has enjoyed more Finstein - yes, he was born in Baden-Wurttemberg - or Daimler or Benz. for example. Thanks not least to the

for which L-Bank is also development agency has long boasted one of the most powerful regional economies in Eumpe. L. Bank's role is to help Baden-Württemberg to deploy its public than its share of brilliant minds. Take assistance programs. These center on infrastructural improvements, corporate subsidies, residential development programs and assistance for

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL ge letters from readers around the world. Letters may be faxed to +44 171-873 5938 Translation may be available for letters written in the main international languages.

British Gas: real questions not addressed tions of remaining workers.

From Mr L.M. Martin. Sir, It does not surprise me that there was a large turnout for the British Gas annual general meeting. Since there could be little bope of effecting meaningful changes, this could only be viewed as a desperate

gesture nf protest. Those of us who work for British Gas share the widespread indignation over the executive pay rises, but are aware that there is much more at stake. The present massive restructuring programme is at the expense of the jobs and conditions of the very people

who have devnted years of uring and at best can only hag-work for what they saw as the gle over details from a strictly public good. Moral indignation is cheap and there must be a few politicians and trade union leaders who have not milked the issue of executive pay. The less they are able to speak for the workers, the more shrill their outrage at the soft target of the pay of Cedric Brown, the British Gas chief executive.

Behind the smokescreen, politicians and union leaders are actually in agreement with British Gas's agenda for inter-

nationalist point of view. The Labour party is now waving the flag of shareholder democ-racy and consumers' rights. This is another bid to capitalise on peripheral issues, but it could easily become a stick with which to beat the workers. Labour leader Tony Blair has already said that if British Gas makes a large profit after all the job losses it should be

forced to cut prices still further. national expansion. They can not logically resist the restruct-This will mean even mnre

Gas, and energy in general, is a thoroughly international question and the prospect of a worldwide scramble for profits and resources is a potentially deadly one. The problem of utilising the world's resources in an orderly fashlon and for the common good is vastly more important than executive perks. The Labour party and the unions have shown themselves unwilling and unable to address these questions. l.M. Martin.

38 Edgedale Road, Sheffield S7 2BR, UK

Devolution sacrifice must be explained

From Mr Mark Termant. Sir. I refer to your editorial. "Consent for devolution" (May 30). There is, I think, little doubt that a majority of Scots support parties which promote the cause of a Scottish parlia-

For the most part this reflects the wishes of a social-ist country which resents 16 years of Tory rule and the fact that this period has, for the UK as a whole, irreversibly removed the threat of any fining government being elected on a socialist manifesto - hence New

This resentment is very real, and as a result New Labour would never be accepted, far less supported, in the Labour heartlands of the central belt if

it was not for a lust for power at almost any price. Changing the constitution, merely because one part of the country does not like the policies of the government of the day, is neither sensible or rational

To attempt it on the basis of the unworkable model put forward by the Labour and Liberal Democrat parties can only lead to dissent and dissatisfaction which will eventually feed through into far stronger calls for independence than presently axist.

If we are to have a sensible debate on this issue and if the mark Tennant,
Apartment 25D,
380 Rector Place,
New York, NY10280,
They must also explain to press is to give any support to

the Scottish people why they should sacrifice for ever their inbuilt majority in the House of Commons and their ex officio place at the cabinet table in exchange for a tax-raising talking-shop full of Monklands East councillor lookalikes on Calton Hill.

While you are right when you say that the solution to the devolution question need not be "tidy" because one of the advantages of the UK's unwritten constitution is that it can accommodate untidy arrangements, any proposals must be workable if they are to merit serious consideration. Mark Tennant,

Fair share-out of Nigeria's oil wealth

From Chief Gabriel Yakubu Aduku. Sir. In Your article "The

stalemate continues" in the supplement on Nigeria (May 26) your reporters exhibited either blas or ignorance in their references to the performance of the constitutional conference. I refer in particular to their statement "despite sitting for six months looger . . . It skirted around the fundamental political problems such as the need for fairer distribution

of oil wealth".

If your reporters bad read the report of the committee on revenue allocation as well as the conference resolutions on reduces the federal governthe subject they would have ment share in favour of states

appreciated that the constitu-tional conference did sustain its credibility in regard to the touchy issue of bow Nigeria's wealth should be shared in broad terms, according to the present formula, the federal government retains 48.5 per cent of the amount in the federal account while 44 per cent is allocated to states and local governments. Of the remaining special fund of 7.5 per cent a token amount of 1 per cent goes to the state(s) of deriva-

The constitutional conference not only agreed a new formula which substantially

and local governments, but most significantly it resolved that 13 per cent of national revenue be allocated to the state(s) of derivation and that this provision be entrenched in

the constitution.

Despite the sensitivity of the subject, the new formula has been well received by Nigerians who see it as a positive contribution to equity, fairness and justice in the distribution of our country's reve-

Gabriel Yakubu Aduku, chairman, revenue allocation 17a Sultan Road. Kaduna.

A failure to regulate behaviour

From Mr Edward de Bono. Sir, Although the Morgan Stanley refund of \$30m is a trifling matter ("Morgan Stanley fined \$376,000 over client losses", May 31), many will have noticad the uncanny resemblance to the much more significant matter of Lloyd's. In both cases the "investing agents" went far beyond their authorised instructions.

As the Walker report and two law cases have shown, the LMX spirals were directly contrary to the very basis of insurance. In both cases the "bro-kers" made very good profits from very frequent commissions. In both cases those who were supposed to be monitor-ing the behaviour opparently did nothing, and in the case of Lloyd's seemed to condone the

The difference is that the Securities and Futures Authority was there to protect the client in the case of Morgan Stan-ley but there was, and is, no one to protect the Names in the case of Lloyd's. The Depart-ment of Trade and Industry has been remarkably feeble on the basis that Its role is simply

to protect the policy holder.
The reputation of the City of
London will continue to
decline since it is so manifestly unabla to regulate behaviour Self-regulation has been a fail-ure as everyone knows. L2 Albany.

Piccadilly, WIV PRR UK

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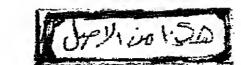
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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday June 1 1995

Making the emu fly

The European Union has developed by agreeing to often controversial goals that are to be reached comfortingly far in the future. A timetable has then been devised. This was how the customs union and the single market were implemented. That is also the plan for economic and mone-tary union (Emu). It is a strategy that is likely to lead to an Emn covering a number of member states by the end of this century. Yesterday's green paper on the

arrangements for the introduction of the single currency is a step on the way, one that sets out a series of further ones. It looks perfectly practicable. The move to a single currency has been defined in the Maastricht treaty as the third stage of a process whose second stage started at the beginning of last year, with the establishment of the European Monetary Institute, forerunner of the European Central Bank (ECB). This green paper breaks that final stage down into three phases.

Phase A is to be when the list of participating states is agreed, a date is set for the start of Emu, a deadline is given for tha final changeover to the single currency and the ECB is established. Phase B is to be when conversion rates are fixed, the Ecu becomes a cur-rency, monetary policy is unified. and the Ecu (or whatever it is to be called) is widely used in financial markets. Finally, Phase C is when new notes and coins replace the old national currencies.

Each stage involves a mass of complex and costly practical details. Every single cash dis-penser and slot machine will, for example, have to be altered. If the process is to go through smoothly - so important for public acceptance - it must be seen as reasonable and inexorable. That is why this paper matters. It is designed to make the process more believ-

Planning horizon

An important element is the timetable. It is planned to move from the start of Phase A to the single currency within four years. Phase A should not, says the paper, take more than a year, leaving three years for Phase B. II, for example, the decision to start Emu seems quite likely, the new cur. ity they have invested in this idea, rency would circulate by mid-2002. the smart bet is that it will.

The latter date should be within the planning horizon of most reasonably competent organisations.

Questions arise even within the relatively narrow confines of this paper. One concerns the Commission's suggestion that "it is important to generate a rapid momentum for the introduction of the single currency by the immediate creation of a critical mass of activities in Ecu". It appears that the Commission envisages a degree of coercion, which may be undesirable. At the same time, there is likely to be confusion during the years when two different denominations of what would effectively be one money are used within participating member states.

Obvious solution

Bigger questions also arise. One is what might happen to exchange rates between the moment of agreement on the participants and the irrevocable locking of exchange rates. The obvious solution is to announce that the locked exchange rates will be the ones ruling at the beginning of Phase A. Peculiar things might otherwise happen to exchange rates in intervening months.

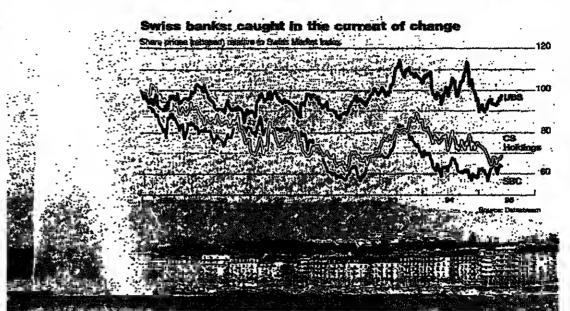
Another question is whether it is necessary to introduce a new currency at all, since it is bound to be unpopular. It would be possible to regard the existing national currencies as different names for one money. Similarly, there need not be just one name. There might be a single symbol, along with continued use of the old habitual

names in each member country. This green paper is not concerned with convergence nor with what will be done about currencies not included in the first wave of Emu. These issues are not within its terms of reference. Selling Emu to the public is. Since in June 1994 only 51 per cent of the citizens of the member states believed that a single currency would be in use by 2000, such sell-

ing is certainly needed. Reversing that scepticism is necessary if the process is to work. Putting forward a workable process is, in turn, needed to reduce the scepticism. That was the Commission's task. It has been achieved. If the major member states remain committed to Emu, can happen. Given the cr

Shake-up of the cosy club

Ground-breaking developments have made the old image of the Swiss financial sector look dated, says Ian Rodger



ing of standards of investment management have combined with more volatila international markets to help cement Switzerland's dominant position.

Swiss banks are believed to hold and manage some SFr2,000bn (£1,078bn) for the world's richest individuals - perhaps 40 per cent of the total amount of mooey placed by them outside their home coun-

Further improvements in the liquidity and transparency of Swiss share trading may come later this year when a national electronic stock exchange will open, replacing the three open-outcry exchanges in Zurich, Geneva and Basle. Opinions differ on the likely cost-effectiveness of the new exchange. But it may help to win back some of the trading volume that has decamped to London's Seaq in recent years.

Among those who have taken most advantage of the changing environment is Mr Martin Ehner, a maverick hroker-fund manager, who formed his BZ Bank in Zurich in 1985.

Mr Ebner pioneered active block trading for institutions in Switzerland. He also introduced a product called a covered warrant, which

enabled foreign investors to get around restrictions on foreigners holding Swiss shares, and spread the idea that large sharebolders should keep a close eye on company directors.

Recently he has waged a hitter governance battle with the directors of UBS, the country's largest and strongest bank.

As in many other countries, the pattern of shareholdings in Switzerland has been changing rapidly, with pension funds and other institutions becoming much more significant holders. Thus, it was only a matter of time until an institutional fund manager contested the governance of a large company.

That UBS would be the target could not have been foreseen, although the banking sector stands out for its mediocre profit perfor-mance, and the bank's leadership has been criticised as rigid and

Mr Ebner's strategy has been to try and rally a majority of votes against the incumbent board, mainly by buying UBS registered shares, a class of stock which has five times the voting power of the more widely held bearer shares. This has left him open to the charge that he was really trying to get con-

Economic convergence holds the key

trol of the hank on the cheap, rather than to put pressure on its top management to perform better. Whatever the outcome of the battle. Which is now tied up in the courts, it has sent a clear signal to the Swiss business community that increasing shareholder value must

be among the top priorities of all company directors. That message is now frequently reinforced by the more lively behav-iour of Swiss share prices. Companies which formerly waded into the capital markets for new equity whenever they felt in the least pressed for money now find that the mere mention of a rights issue or

acquisition can send their shares plunging. As Mr Ebner puts it: "The

market is setting more demanding

management standards." Mr Eboer's example has spawned a number of imitators, notably Mr Ernst Müller-Mühl, one of his former colleagues, who formed Bank am Bellevue, a Zurich houtique securities house, two years ago.

Even in the big banks, the onetime prerequisites for advancement - seniority and a high ranking in the Swiss army - have been jettisoned in favour of more relevant

Mr Mathis Cabiallavetta, a deriva-

tives expert who has just been nominated as UBS's next chief executive by the bank's present board, is 50 and a mere infantry corporal.

Mr Josef Ackermann, 49, who

took over the reins at Credit Suisse two years ago, has wide experience in international capital markets. Mr Marcel Ospel, 45, the SBC interna-tional division boss who is to run SBC Warhurg, as the merchant bank will now be known, is also a derivatives expert. Mr Peter Wuffli, 37, was drafted last year from the Zurich operation of McKinsey, the management consultants, to be SBC's chief financial officer.

The changed culture has now paved the way for Switzerland's first hostile takeover bid, launched in April for Holvis by International

hree years ago, Holvis became the first widely held Swiss-quoted company to eliminate voting restrictions on its shares; most Swiss companies still limit shareholders to voting a maximum of between 3 per cent and 5 per cent of the company's stock, ostensibly to prevent surprise take-

Even before this change, Holvis was potentially vulnerable to being taken over, since Mercury Asset Management, the fund management arm of S.G. Warburg, held about a quarter of the shares. Two months ago, Mercury became frustrated with the company's lack of progress and committed its shares to IP. Last Friday, BBA, the UK industrial group, entered the fray.

The battle bas already heen remarkable on two other counts. Holvis directors accepted immediately that the group's independence was at an end and sought only to achieve the best outcome for shareholders. And neither they nor anyone else tried to distort the process by moaning about the loss of a Swiss company to foreign owner-

Swiss brokers' analysts have been quick to produce lists of other poteotial takeover targets. One, distributed by Credit Suisse mentions, among others, the Baloise and Berner insurance groups, Hero, the jams and jellies company, and Motor-Columbus, the electricity producer and distributor.

It all points to a lively future for Swiss financial markets and institutions. There is even speculation that one of the three top Swiss banks could be taken over by one of its rivals in the next few years.

Presented with this rumour recently, CS Holding's Mr Gut paused for a moment and then laughed. "We compete too fiercely against each other," be said. "It couldn't happen." Given the aggressive new financial eovironment, not

Condemned to persevere

Yesterday's emergency debates on Bosnia in both houses of the Brit-ish parliament were suitably sombre in tone and realistic in content. They also served the purpose of clarifying the nature of, and limits on, the political consensus concerning Britain's role in the former Yugoslav republic.

The three main parties agree both in their analysis of the pre-dicament facing the United Nations protection force - fundamentally changed for the worse as it is by the air strikes and hostagetaking of the past week - and in concluding that every concaivable response is fraught with difficulty.

The party leaders concur that

precipitate withdrawal, as urged by dissenting backbanchers, would be undesirable in tha extreme. Apart from being dangerons and costly to execute, it would, as Mr John Major empha-sised, be likely to prove highly inflammatory for the Bosnian conflict itself. Britain would no more be able to ignore the humanitarian or strategic consequences than it could when it was first moved to dispatch troops in 1992. It contimes to have a strong interest in preventing the war from spreading and in buttressing the admittedly slender prospects for diplomatic progress in resolving the conflict - notably by encouraging Serbian President Slobodan Milosevic to render the isolation of his Bosnian kin complete.

For all these reasons, withdrawal is not likely to he an option unless or until events on the ground make it inescapable.

UN mandate confused

Nor the party leaders likewise agree, is it possible to carry on precisely as before. The UN's mandate has been exposed as hopelessly confused between the "neutral" task of supporting the delivery of humanitarian aid and the more partisan business of punishing miscreants - which has in practice meant striking the Bosnian Serbs. Unprofor has been staffed and equipped for the humanitarian task, but required to dabble ineffectually in the punitive one Ineluctably, those who have contributed troops will now have to choose their priorities more carefully - as they should have done at the outset.

day's debate defines the choice. Despite the strong provocation offered by the Bosnian Serbs over the past week, the British public has neither the appetite nor the will to go to war against them. Without strong public backing any government would be reckless to ask its forces to adopt a much more belligerent stance.

Credible options

There is support for the hefty reinforcement of Britain's contin-gent in Bosnia. But this, it has to be said, is not from any delusion that a threefold increase in manpower would facilitate confronting the Bosnian Serbs or forcibly free ing the hostages. Rather, such reinforcement is thought likely to increase the range of credible options available for defending the lives of the British and other UN troops already there - including, if needs be, the ultimate one of a fighting withdrawal.

The thinking in France - the other main contributor to Unprofor - is not very different. Indeed, it remains unhelpfully the case that the strongest desire for direct UN involvement in the war is evident in the US, a country with no troops on the ground.

How does this imply Britain and

other Unprofor members should behave? The most immediate priority is securing the release of the hostages without making concessions to their captors. That will require patient diplomacy and great restraint.

Next is redeployment of UN forces to more defensible positions, and provision of genninely flexible firepower to defend them and to keep roads open for aid deliveries. That will involve some painful and politically unpopular choices. UN commanders, for example; may well conclude that some of the so-called "safe areas" in Bosnia are not likely to be defensible: if abandoning their defence is the price for maintaining the humanitarian effort in areas controlled by Bosnian gov-

ernment forces, so be it. Above all, Unprofor contributors must now resist the temptation to ask their troops to do more than they are equipped to do, and keep their eyes fixed on the purposes they can most effectively serve. The alternative is likely to be a In the case of Britain, yester- humiliating and chaotic retreat.

foreign exchange markets that led in March to realign-

hitter fight for control of

Union Bank of Switzer-land. A contested take-

over battle for Holvis,

the non-woven fabrics

and paper distribution group. And

the recent £860m acquisition of

S.G. Warburg, the top British mer-chant bank, by Swiss Bank Corpora-

tion. This is not the behaviour one

has come to expect from the inimi-

In fact, the traditional image of Switzerland's Finanzploiz is becom-

ing increasingly dated. As indicated

by the trio of ground-breaking

developments listed above, the

Swiss appear to be embracing the

kind of robust, open financial cul-ture hitherto confined mainly to the

liberal financial centre in Europe.

says Mr Rainer Gut, chairman of CS

Holding, the financial services

group built around Credit Suisse.

And a new generation of aggressive

Swiss bankers and fund managers

The seeds of this new culture

were sown in the late 1980s when a

number of liberalising forces con-

The three big Swiss banks real-

ised they had outgrown their home

market and stepped up their inter-

national expansion. This left them

in a poor position to resist pres-

sures from the US and British

authorities to open up Swiss capital

• The hig Swiss industrial companies, such as Nestlé, the foods giant,

and the pharmaceuticals groups

Ciba, Roche and Sandoz, saw that

they would need access to large for-

eign capital markets to finance

their growth. To obtain it they

would have to provide greater dis-

closure and investor-friendliness

Meanwhile, the country's tradi-

tional role as the leading financial

haven for the world's wealthiest

individuals appeared to be waning.

This was partly because other coun-

tries and tax havens seemed to have

become just as stable as Switzer-

land. But it was partly too because

Swiss banks had acquired reputa-

tions for complacency, charging

high fees and producing only medio-

The drive for reform began with

Nestlé's sbock announcement in

November 1988 that it would open

its share register to foreign inves-

tors, and has accelerated ever since.

encouraged quoted companies to

hecome more transparent and

investor-friendly, and criminal law

reforms have made it more danger-

ous for people to engage in unfair or

shady activities, such as money

laundering and insider trading.
In the all-important private bank-

ing sector, the abolition of various

capital market cartels and the rais-

Company law changes beve

cre performance for clients.

than was the Swiss norm.

is eagerly exploiting it.

"Switzerland now has the most

US and the UK.

tably cosy Swiss financial sector.

ments in the exchange rate mechanism of the Euro-PERSONAL pean Monetary Sys-VIEW tem (EMS) have rekindled the debate on whether economic and monetary union can

Widely differing conclusions have been drawn from the most recent disturbances. Some saw them as proof that the European Union was not yet ripe for monetary union. Others saw them as the outcome of speculative capital movements that made rapid transition to monetary union all the more urgent. There is some degree of accuracy in both

In contrast to what happened dur-ing the EMS upheavals of 1992 and 1993, the recent turmoil mainly reflected the markets' lack of confidence in the ability of some governments to address their fiscal problems. It appears that the foreign exchange markets of today are exceedingly sensitive to even the nity of stability.

as in fiscal policy. But these npheavals can be

explained only in part by political uncertainties. External factors also helped to hulld up tension in the system. These included the flight of funds out of the dollar which, as in the past, tended to flow into the D-Mark to the detriment of other currencies. This trend even affected currencies inside the EMS whose underlying economic data - as in the case of the French franc - indicated no need whatever for adjust-

The increasing demands on policy cannot be countered by regimented intervention in the markets. Taxing foreign exchange transactions or even imposing capital controls would amount to treating the symptoms. In the short and medium term, excessive exchange rate fluctuations can be averted only by convincing the markets that there will be no deviation from stability-ori-ented policies. Ultimately, such upheavals can be banished only by a European currency union designed to function as a commu-

process is thus the key to greater exchange rate stability and to the final stage of economic and monetary unioo. Although at present only Germany and Luxembourg meet all convergence criteria, some progress has been made in other countries over the past few years, particularly on inflation and long-term interest rates.

Those who seriously intend to achieve monetary union must now pursue a policy of consolidation

The EU's average inflation rate has fallen from 13 per cent in the early 1980s to 3 per cent most receptly. The inflation mentality that was predominant in some member states well into the 1980s now appears to have been over-

Public finance is the area in which most action needs now to be taken. This year, only Germany and

within the Maastricht criteria that the government deficit should not exceed 3 per cent of gross domestic product and government debt be less than 60 per cent of GDP. Nine of the 15 member states will this year fail to meet both criteria. All those which seriously intend

to achieve monetary union must now demonstrate this hy pursuing resolutely a policy of consolidation. They must not permit the strength-ening upturn in economic activity to distract them from the need to bring down excessive structural def-As things stand, entry into the

final stage of monetary union in 1997 is extremely unlikely because there seems scant prospect of a majority of member states fulfilling the Maastricht criteria by then.

Entry into the final stage in 1999, however, remains feasible. But, even then, monetary union will not he possible unless participants comply strictly with the convergence criteria. There cannot and will not be any discounts or free tickets.

On this point, Germany is in com-

those in charge of Freech fiscal policy have, accordingly, undertaken to set in train the measures needed to meet the fiscal deficit and goveroment debt criteria.

I bope the UK too will decide in favour of an "opt-in" on the transition to the final stage. The UK already meets most of the convergence criteria. Early participation in monetary union would enable it to play an active role in shaping the further integration of monetary pollcy from the outset, contributing its experience and its thoughts on fun-

damental issues of economic policy, many of which are largely in line with those of Germany.
In the UK, there seems to be greater readiness than before to play a part in the process of monetary integration. This is indeed welcome, as the closer involvement of

the UK is in both its own interest

and that of its European partners. Theo Waigel

The author is German finance

OBSERVER

Krupps' last tape

■ What do you do if a country decides to stop selling weapons to you? Why, slap on your own ban saying you don't want their silly old guns anyway. If that sounds a trifle hizarre,

blame Turkey. In May, Denmark

said it would no longer sell arms to Turkey because of its military operation in northern Irac against separatist rebel Kurds. So yesterday Turkey's foreign ministry spokesman Nurettin Nurkan said it was banning military purchases from Denmark, which "has lost the quality of being a reliable partner in military procurements. Turkey

has decided to place Denmark on its

red list". This kind of thing is becoming a regular event in Turkey, which recently put the Netherlands and South Africa on the red list - after both stopped arms sales in response to the Iraqi operation. One big exception of course is that Turkey's major arms supplier - Germany, which has also suspended arms sales - has not been put on the boycott list.

Chomper Ramos

■ Winston Churchill would never have stood for it. Fidel Ramos, the 67-year-old president of the Philippines since 1992, has come

under fire for his cigar-chomping even though he never actually puts a match to the thing.

Leading senators and anti-smoking groups have latched onto on the World Health Organisation's Anti-Tobacco Day as a means of bashing Ramos, accusing him of setting a bad example. Ramos says he's just doing his bit - or maybe it was his bite - for the country's ailing tobacco industry.

Sealed lips

Pretty poor show at the African Development Bank, whose governors have so far failed to agree upon a new president for the ADB. The deadlock occurred at the bank's annual general meeting in Abuja, where they managed to agree upon every other major issue Now they've given themselves until August 25 to clinch it.

Candidates must be sponsored by the government of their home country, yet the problems facing the ADB demand more than ever a president who is independent of government and is chosen on merit One name on many lips at the Abuja meeting was Ellen Johnson Sirleaf, a regional director with the United Nations. But ber country -Liberia - is wracked by civil war

and unable to sponsor ber-Instead Liberia's rulers voted for the candidate from Nigeria; which just happens to have an 8,000-strong "peace keeping force" camped

outside Liberia's capital, Monrovia. Keep it in the family, eh?

Owen's last stand ■ What exactly is a "lap-top bombardier"? It's obviously something nasty; but what is not immediately obvious.

Lord Owen used the expression en passant yesterday, in announcing the hauling up of his personal flag at the end of June, when he will resign as the European Union's special negotiator in the former Yugoslavia. We know it's nasty because Owen contrasted it with "the voice of compromise and reason", which be said he wanted to hear more of.

"Armchair general" used to be the sneer, but we live in a high-tech age, when networking politicians scour the globe looking for jobs, as indeed now must Lord Owen. Someone as accustomed to bitter

fratricidal warfare as Owen is, has only one obvious job left masterminding the name for the EU's single-currency.

Autobanned

Crashing your own car is a misfortune; even more so when it's a racing car costing DML5bn, Bernd Pischetsrieder, the 47-year-old speedster bead of luxury German carmaker BMW was fortunate to escape with minor injuries at the weekend, when the 627-horsepower

McLaren Fi sports car left the road near Munich. Nobody at BMW, which confirmed the accident yesterday, was able to say how fast Pischetsrieder was travelling, nor how the accident happened. The car, built in very small numbers by British Formula One

racing team McLaren, is capable of 230 mph - and is powered by a 12-cylinder BMW engine. Excuse me - do you have any more of those left in a snazzy yellow?

The pearly Gates Rather fed up with man's

inhumanity to man, God decides to put an end to the world next Tuesday. To announce his decision. he summons the three most important people on earth: Bill Clinton, Boris Yeltsin and Bill

Clinton goes home and appears on national television, where he says: "The good news is we are indeed one nation under God. The bad news is the world ends next Tuesday."

Yeltsin tells his people he has two hits of bad news: "The first is that, as we've come to suspect, our atheist period was a waste of time. The second is that the world ends on Tuesday."

Bill Gates e-mails his followers: "I have two pieces of good news. First, God recognises our importance. which is good news for God. Second, IBM stops shipping on

Financial Times

100 years ago A benighted colony A rumour reaches London about

every third day on the average that a loan has been obtained by Mr Secretary Bond on behalf of Newfoundland. The cynics have been heard to remark that rumours, rather than the loan, were the only things floating. This time, however, Reuter has inundated us with particulars on the subject. We are informed that \$2,500,000 has been obtained from a London firm, and will be floated by Messrs Hansen of Montreal. The issue will be at 94, and the bonds will bear interest. at 4 per cept. We trust that this rumour has something more substantial behind it than has usually been the case with the reports concerning Secretary Bond's efforts on behalf of this benighted colony.

50 years ago Film studio for Toronto

According to a desnatch from Montreal, Mr J.A. Rank has . stated that a film studio will soon be erected in Toronto for the production of children's and educational pictures. Mr Rank also told reporters that Odeon Theatres of Canada have opened negotiations for the purchase of "sites for the construction of theatres across the country".

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FINANCIAL TIMES

Thursday June 1 1995

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China reported to have tested new nuclear missile

China is believed to have test fired a mobile-launch ballistic missile that will provide it with a long sought nuclear "second strike" capability.

Western military attache's in Beijing said the missile prototype was land-tested on either Monday or Tuesday in China's remote farwest Xinjiang region - site of its

nuclear testing programme.

Development of the missile fits in with China's ambittons to be regarded as a strong international force. It also corresponds with its increasing assertiveness regionally, which is unsettling its neighbours.

The Chinese last month conducted their first ouclear test since October 1994. The test, which flew in the face of an informal moratorium sponsored by the US, triggered strong criticism internationally. Japan said it would reduce grant aid to China

China's foreign ministry

be close to bringing the Dongfeng 31 mobile ICBM (intercontinental hallistic missile) into service. Jane's Strategic Weapons Systems reported last November that the Dongfeng 31, with a range of 8,000km and a payload yield of 250 kilotons, would be

operational hy 1996. Wing Commander Keo Petrie, analyst with the International Institute of Strategic Studies in London, said the Dongfeng 31, which can be launched from converted lorries, represented an

important step forward. The solid-fuel three-stage missile will add versatility to China's nuclear arsenal as a mobile launch facility can make it more difficult to knock out nuclear capability in a first strike.

China has been developing the Dongfeng 31 since 1970, hut according to Jane's, the missile underwent a major design change in 1965 to lengthen its range. Contineotal Europe and the American west coast are within range of the new missile.

The Chinese nuclear arsenal includes at least 15 silo-based ICBMs with ranges of up to 15,000km. These liquid-fuelled rockets are designated the Dong-feng 4 and 5. The arsenal also embraces up to 90 shorter range ballistic missiles.

Defence analysts said there was no indication at this stage that China was planning to load the Dongfeng 31 into its nuclear submarine fleet, but such a development could oot be discounted in the longer-term.

China has one ouclear submarine capable of carrying and launching ballistic missiles. The Xia-class SSBN, launched in 1983, is equipped with 12 Cass-N-3 SLBMs - a two-stage solid-fuel missile with a range of 2,700km, and equipped with a single warhead of two megatons.

China has said it plans to initial the nuclear Comprehensive Test Ban Treaty when it comes up for signature within the oext two years, but in the meantime, It is continuing its underground

Brussels plans shift to single currency by end of century

By Lionel Barber in Brussels

The European Commission yesterday launched a blueprint for achieving the irreversible shift to a single currency by the

end of the century. The 74-page green paper challenges popular resistance to economic and monetary union, and serves notice to sceptics in Britain and Germany that a decision on Emu is coming faster

than widely appreciated. The Commission paper is the first time Brussels has set out the nuts and bolts of Emu, but it is only the beginning of a long campaign on behalf of a project carrying big political risks as well as

economic benefits. The hurdles were underlined yesterday when the Commission disclosed that only Luxembourg, Ireland and Germany meet the debt and deficit criteria for Emu set out in the Maastricht treaty, though progress on inflation is

more promising.
The Commission blueprint sets out a three-phase move to Emu. starting with a political decision on which countries qualify for the single currency sometime between the end of 1996 and July 1998 at the latest. General circulatioo of Euro-notes and coins would follow between three and four years later.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, compared the launch of a single currency to the firing of a rocket. We have to convince everybody that there is no going back."

Maastricht requires a majority of member states to meet "con-vergence criteria" targets on inflation, debt and exchange stability to qualify for Emu in 1997. The switch is automatic for any qualifying countries in 1999.

The Commission rules out a "big hang" approach, wherehy the Ecu would enter circulation almost immediately after the locking of exchange rates on January 1 1999. Instead it calls for a "critical mass" of monetary

transactions to be conducted in

the new currency. This approach puts the Commission on a collision course with the Bundeshank, which has proposed delaying using the Ecu until the smaller German provincial banks are on the same footing as their larger counterparts. The paper warms that such a delay is not consistent with Maastricht, and does not ensure

Brussels blueprint, Page 2; Case for convergence, Page 13;

the credibility associated with a

widespread use of the new cur-rency in banking and finance.

Editorial Comment, Page 13 Car dispute | Clinton's Bosnia policy

Continued from Page 1

the dispute and its impact on the functioning of the multilateral trading system. Brussels is also worried that a

bilateral settlement of the row could discriminate against European manufacturers. Nissan, Japan's second-largest

carmaker, will halt production of sanctions-threatened US-hound Infiniti cars in the first 10 days of June. Nissan prodoces about 1,000

such cars for the US market each month, but emphasised that its US distribution network bad stocks sufficient for 60 days'

Europe today

A frontal disturbance will cross central and

wake of this disturbance, the Low Countries and England will have sunny periods

northern Europe, producing cloud and showers over central Europe, eastarn France, parts of Germany and western Norway. In the

Continued from Page 1

withdrawal could raise tensions with Russia. President Boris Yeltsin cautioned yesterday against any potential rescue mission for the UN hostages and said that "2,000 marines will not solve the

Mr Major said Britain remained opposed to withdrawal from Bosnia, in spite of the "desplcable" hostage taking by the Bosnian Serbs. However, the extra troops would provide cover for a withdrawal "if it is forced opon

Reducing forces in Bosnia was one of four options presented by Mr Boutros Ghali to the UN Secu-

FT WEATHER GUIDE

the withdrawal of Unprofor in Bosnia as well as retaining the status quo. The third option called for the use of offensive action by individual states, but

not under UN command. Mr Robert Frasure, a senior US envoy, arrived in Belgrade yesterday for more talks with Mr Slobodan Milosevic. Serbia's president. on recognising Bosula in exchange for a suspension of UN sanctions

In a further twist in the hostage crisis, the Bosnian government has placed restrictions on the movements of 76 Ukrainian peacekeepers in Gorazde, one of six UN "safe areas" in Bosnia.

Israel spells out details of with Syria

By Julian Ozanne in Jerusak

outlined details yesterday of its negotiations with Syria on the timetable for a troop withdrawal from the occupied Golan

The move fuelled further spec-

Mr Shimon Peres, Israell for-eign minister, sald on US televi-

The withdrawal timetable is one of the four key issues Mr Rabin has said must be resolved in talks. Officials have up to oow maintained strict secrecy on the extent of the differences between

Apart from the withdrawal timetable, Mr Rabin said earlier this week that negotlations would have to resolve three other issues: security arrangements after a troop withdrawal; normalisation of relations; and delipeation of the disputed international border.

It is the third time in a week

He also said that in negotiations with Syria, Israel would give up every square inch of the land it had occupied, Israel has so far refused to meet Syria's non-negotiable demand for a public commitment to full withdrawal from the Golan.

A senior official said Mr Peres' after last week's announcer

Peres' desire to exploit the current sense of momeotum to draw Syria into a more substantial phase of negotiations. It is clearly part of the government's campaign to prepare a largely hostile public for a peace deal with Israel's most militarily

Mr Peres has also hrushed

peace talks

Israel for the first time publicly Heights.

ulation in Israel that the Labourled government of prime minister Yitzhak Rahin has high expectations of making serious progress in forthcoming US-bro-kered talks with Syria.

sion that Israel had proposed a four-year timetable for withdrawal from the Heights, hnt that Syria was demanding 18

the two sides.

that Mr Peres has made remarks about peace talks with Syria that go far beyond what any other Israeli official has been prepared to say. In previous statements in the past six days, Mr Peres said Israel recognised Syrian rights to the Golan Heights.

latest public campaign marked his fresh optimism about the prospect of progress with Syria that the two sides bad agreed a framework for security talks and the resumption of negotiations between the Syrian and Israeli

The campaign also marks Mr threatening Arab neighbour.

aside Labour party fears about the negative impact of a deal with Syria oo the government's chances in November 1996 elections. "We are determined to win peace even if we shall endanger winning elections. We feel that than winning elections."

THE LEX COLUMN

The Fed fights back

off balance, so hats off to the Federal Reserve. Yesterday's intervention caught currency traders by surprise. The execution was particularly inspired, timed early in New York trading when the Fed never normally intervenes. The impact was doubly impressive because the Fed moved just after revised and apparently grim US gross domestic product figures were released. But while the headline looked worrying, the hreakdown showed lower stocks than expected, reinforcing hopes of a soft landing essentially good news for the dollar. For once, a central bank intervened with the tide rather than against it.

With hindsight, the need for inter-vention was clear. The dollar's hardwon gains during the first three weeks of May were completely wiped out last Thursday. And this week the currency had started drifting down to technical levels where the dollar hulls might he obliged to bail out.

But despite the Fed's success yesterday, the dollar is not yet out of the woods. True, it may be givao a short-term hoost if payroll figures, published tomorrow, are better than expected. But for any lasting impact, a policy initiative is required. That could take two forms. Though unlikely, the Bundesbank could surprise the markets by cutting interest rates today. Alternatively, and more effectively, the US administration could act to tackle the fundamental problem behind its weakness - the current account deficit. That will depend on whether recent rhetoric about reducing the bodget deficit is translated into reality.

Total

The appointment of Mr Thierry Desmarest to replace Mr Serge Tchuruk at the top of Total is a mark of how far the French oil group has travelled in the past five years. That Mr Desmarest is an internal appointment, an imusual measure for a French company which is still partly state-owned, demonstrates the extent to which Total has found its feet in the private sector. Nor is it a coincidence that, while Mr Tchuruk spearheaded the rehabilitation of Total, Mr Desmarest was in charge of upstream operations, which helped transform Total into a integrated oil company. Its record in exploration has been impressive. As a result, generating cash flow will not be a problem for Mr Desmarest. The snag with exploration success is that

Against the D-Mark (DM per \$) 1.50

it is not always easy to reproduce. And the cost-savings generated by Mr Tchuruk's rationalisation programme may be hard to push forward. This means that Total's dynamic share price performance of the last five

years will be hard to repeat. Ironically for a company which was once seen as primarily a refining and marketing operation, this is where its difficulties now lie. Like many of its competitors, its refining business is improfitable due to overcapacity. This has dragged down return on equity, which was a poor 6.5 per cent in 1994. So although Mr Tchuruk has left the company in a strong position, there is still room for improvement. Ooe answer may be disposals or the merger of refining operations.

Anglo American

Given that Anglo American Corporation has its fingers in so many South African pies, there were always going to be some high spots in last year's performance. The 20 per cent rise in net earnings reflected strong increases in base metals and coal prices and a higher dividend from JCI before it was restructured. The stirrings of economic recovery also helped propel profits from its broad range of industrial investments, albeit from a low base.

Nonetheless gold mining, once the mainstay of profits, has been held back by a lackhistre gold price and pressure on profit margins. An increase in the number of public holi-days has burt productivity, and Anglo looks unlikely to succeed in attempts to introduce Sunday working. In addition, there are few new projects to

spark future growth. Mines in Mall Scott Stake the Namakwa Sands project and his expanding Columbus stainless steel business, will provide some impensional statement of the control of th But there are insufficient investment initiatives to maintain the momentum

Anglo's complex web of lister investments inavitably encourage valuations on the basis of net asset value. This rose by only 1 per cent, as last year's election euphoria died down. The management could, of course, take steps to reduce the NAV discount from its recent average of around 15 per cent. A programme of investment sales and corporate restructuring would help. But given the management's continuing opposi tion to such change, the future for investors looks decidedly unexciting.

Eurotunnel

Eurotannel offered its long-suffer shareholders some crumbs of comfort at yesterday's annual meeting. After suffering from delayed starts, Euro-tunnel'a traffic volume appears to be growing at an encouraging rate as the crucial summer season gets under way. It now commands more than 25 per cent of the cross-channel passenger market, and its market share for freight has jumped to 35 per cent, according to preliminary May figures Eurostar's success is an irrelevance under the existing financial structure But the switching of some more of Eurotunnel's floating rate liabilities into fixed rate debt is mildly positive.

All this is cold comfort for shareholders. The fact is that even a massive surge in Eurotunnel's share of an expanding market would not be enough to plug the shortfall in its financing, which will run out at the end of the summer. Still, the stronger its performance now, the better Eurotunnel's chances of preserving at least some shareholder value. Eurotunnel has restated its aim of reducing debt service costs, and insists there is no intention of asking shareholders for more cash. But its banks are unlikely to agree to a reduction in interest charges without taking equity in return. Without an unexpectedly large windfall from its arbitration with the French and British railway companies, the best shareholders can hope for is that strong revenue growth will persuade bankers to take shares at a higher price, so limiting the dilutive effect on shareholders' capital.

Additional Lex comment on VSEL,

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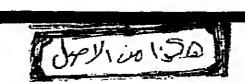
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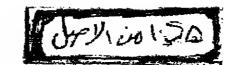
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London Business School exists to advance learning and research in business and

interspersed with scattered cloud. The disturbance's path will mark the boundary between warm and cool air. Therefore, in eastern and northern Europe, afternoon temperatures will axceed 20C but in western Europe maximum temperatures will remain below 20C. A new depression will move towards the continent resulting in cloud and patchy rain in the extreme north of Spain and stem edges of France and Ireland. Other parts of Spain and most of south-east Europe will have a lot of sun and afternoon Five-day forecast During the weekend, the new depression will remain stationary over the UK, giving cloud, rain and showers Later in the weekend, the wet conditions will move into the Low Countries and France, Conditions in italy will We can't change the weather, But we can always take you where you want to go. Lufthansa







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France

moves to

in weeks

By John Ridding and David Buchan in Paris

sell Usinor

France's new conservative

government yesterday launched

its privatisation programme, announcing plans to sell Usinor Sacilor, Europe's largest steel

producer, within the next few

The sale, which is expected to

value the company at about

FFr20bn (\$4bn), will be accompanied by a FFr5bn capital

increase. The operation is expec-

IN BRIEF

Prince studies Berlusconi stake

The Saudi prince who rescued the EuroDisneyland theme park and bought a controlling stake in New York's Plaza Hotel is heading a consortium which could buy a large stake in Mr Silvio Bertusconi's Italian media business, Mr Berlusconi's Fininvest company owns Italy's three main commercial televi-sion channels and Publitalia, an advertising agency, but may be forced to sell two of the channels.

Elf Aquitaine sees sharp first-half rise Elf Aquitaine, the French oil group, forecast a sharp increase in results in the first half of the year. It estimated that operating profits would almost double compared with the same period in 1994. Page 16.

Kaufhof warns of difficult year Kaufhof, the German retail group, said it hoped to keep profits steady this year after a steep decline in 1994, when net income fell 43 per cent to DM137m (\$98.6m). Page 16' "

Solid rise in earnings at Anglo American Anglo American, the largest of South Africa's industrial conglomerates, reported total net earnings of R3.36bn (\$917m) for the year to March 31, up 20 per cent from last year. Page 17

Vital Forsikring board rejects offer Vital Forsikring, Norway's second largest life and pension group, has rejected Den norske Bank's offer to acquire the company and strongly urged share-holders to do the same. Page 16

Seagram to hold stake in Time Warner Seagram, the Canadian drinks group, plans to retain its 15 per cent stake in Time Warner, the US media and entertainment conglomerate, in spite of its purchase of 80 per cent of Los Angeles-based MCA. Page 18

Jobs to go in Mobil's European restructure Mobil, the US oil company, is to restructure its European refining operations which will cost it \$180m and affect up to 500 jobs. Page 18

Kingfisher warns of more losses at Comet Analysts were again down-grading profits forecasts for Kingfisher after the UK retail group warned of increased interim losses in its troubled Comet electrical chain. Analysts downgraded group full-year profits forecasts by about £10m to £300m (\$471m). Page 20

Writs served on TI Group for US deal TI Group, the specialist engineering and aerospace company, has been served with writs alleging that ona of its subsidiaries defrauded the US Air Force of more than \$20m. The writs, served in the High Court, claim that Dowty Woodville Polymer over-charged the USAF for components used on swingwing aircraft. Page 20

New properties help MEPC

mons neipen MEPC, the second-largest UK property company, report a 25 per cent increase in pre-tax profits from for the six months to March 31.

17 Mobil

19 Philio Morris

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Companies in this issue

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Market Statistics

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Kerkorian drops Chrysler 'offer'

By Maggle Uny in New York

Mr Kirk Kerkorian's Tracinda Corporation yesterday threw in the towel on its controversial \$22.8bn proposed bid for Chrysler. But it remains committed to "maximising value for all shareholders" and will not sell its 10 per cent stake in the automotive group, Tracinda said.

It has appointed Wasserstein Perella, the New York merger and acquisition specialist, as a "general strategic adviser". Mr Alex Yemenidiian of Tracinda said "withdrawing our offer will permit us to take a fresh look at the situation and evaluate Chrysler did not comment on Mr Kerko-

rian's announcement. The proposed bid was revealed on April 12, and Tracinda was joined in its approach by Mr Lee lacocca, the former chairman of Chrysler. However, the plan was never formally launched, and it in

A \$22.8bn bid plan has failed but US investor is still thorn in carmaker's side

effect collapsed at the end of April when Tracinda admitted it had failed to find financing to back the proposed \$55-a-share Chrysler shares touched \$521/2 when the

bid was first suggested but fell over the following days as the likelihood of the offer succeeding faded. Yesterday they were \$% lower at \$42% in morning trading.

Tracinda declined to list the options open to it. One insider said that anything

was possible other than a sale, adding "the fact we are withdrawing this offer does not mean we are going away. There is 6 lot more value there". The main bone of contention between

Chrysler and Tracinda is the carmaker's insistence that it needs to retain \$7.5bn in cash reserves to protect it during the tougher trading conditions it is predicting. Tracinda has argued that part of that

money could be given to shareholders. Speculation over possible moves by Tra-cinda included engaging in a proxy battle attempting to persuade other shareholders to agitate for higher dividends, or for Tracinda to increase its holding, Last December Chrysler lifted the limit on any one shareholder's stake from 10 to 15 per

Mr Bruce Wasserstein, chairman of Wasserstein Perella, said: "Kirk Kerkorian is a serious long-term investor whose track record speaks for itself. We hope to provide a new perspective and play a con-

Mr Kerkorian has been Chrysler's largest shareholder for nearly five years. He bought 22m shares in December 1990 at \$12% 6 share, and another 6m in October 1991 at \$10%. The other 8m shares were bought in 1993 and 1994 when the stock price had risen.
Tracinda had been pushing Chrysler to

improve the lot of its shareholders behind the scenes for some time. Since the bid was put forward Chrysler has increased its quarterly dividend by 25 per cent to 50

However, Chrysler maintains that the dividend increase was not in response to Tracinda's move. It has raised the dividend from 15 cents a quarter in December 1993. Last December it announced a \$1bn share buy-back plan. Mr Robert Eaton, the Chrysler chairman told the last annual meeting that Mr Kerkorian's tactics were

ted to bring the state between FFr10bn and FFr12bn. Mr Alain Jnppé, the Gaullist prime minister, is aiming for total receipts of more than FFr50bn this year to help reduce the budget deficit and finance

job creation schemes. A recovery in steel prices has also encouraged a rapid sale of the steel group. Mr Francis Mer, chalrman, has pushed for 6 quick sell-off to avoid the downturn in the cycle and to capitalise on Usinor's revival, which returned to profit of FFr1.5bn last year after losses of FFr5.7bn

The Usinor sale is likely to prove delicate. Trade unions bave opposed privatisation, which they believe will prompt further job cuts. Usinor hes already reduced its French workforce by almost 11,000 over the past four years. Mr Mer and the government took steps to reassure employees and trade unions yesterday. Mr Mer said: "The period of massive job cuts is a thing of the past. The government said no lay-offs were anticipeted under the privatisation process. It said Usinor's statefunded early retirement benefits scheme would be maintained and in return the steel group has agreed to continue to sopport its job-search subsidiary for redundant workers.

Industry observers said the measures could limit enthusiasm . "It is a cyclical pany and now it seems it will have a hand tied behind its back." said one.

Details of the issue are expected to be announced within the next week and the timing of the sale will depend on market conditions. Most of the shares are expected to be offered to institutional investors and possibly industry partners. The public is expected to be offered about 20 per cent of the issue, while the government will reserve a tranche for employees. The state, which holds about 80 per cent of Usinor, will retain a stake.

Rights issue this year ruled out but bank negotiations to restart **BAe puts** faith in Eurotunnel to press previous share offer banks on for VSEL

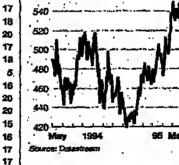
By Bernard Gray, **Defence Correspondent**

British Aerospace has reopened its campaign to buy VSEL, the UK submarine maker, with an offer of 3.3 BAe shares for every VSKL share. The offer values VSEL at £678m (\$1.06bn) at BAe's Tuesday night closing price of 530p. As an alternative, BAa has offered £16 cash for every VSEL share.

The share offer is the same as that made by BAe before it was referred to the Monopolies and Mergers Commission in December, while the cash offer is backed by the proceeds of the company's recent rights issue. GEC, the other UK company courting VSEL, declined to comment on BAe's offer and has yet has until June 13 to submit a

counterbid. BAe's shares fell 6p to 524p making its offer for VSEL worth

BA. Share price (pence)



£17.30. VSEL's shares closed almost unchanged 6t £17.90, reflecting market sentiment that the bidding war was likely to go

Mr Richard Lapthorne, BAe finance director, said "this offer reinstates the value of our bid for VSKL. We are determined to make 6 success of the acquisition which we think makes complete strategic sense for BAe's core With GEC likely to offer cash

for VSEL and BAe continuing with an offer primarily in shares, the battleground in the contest is likely to centre on the value of BAe's shares. Their value will be affected by factors including perceptions of the company's recovery prospects, the extent to which there is any pre-mium reflecting hopes of a bid from GEC for BAe, and future contracts which might be won by

either company.

The most significant contract likely to be decided while the bids are in progress is that for the UK's £2bn anti-tank helicopter programme. Both GEC and BAe have contenders in the competition, as does GKN, owner of

The attack helicopter competition, and the £2.5bn Trafelgar submarine contract which is likely to go to VSEL, are two of the largest defence contracts to be awarded by the UK in the next 10 years. If BAe were to win the helicop-

ter deal, it might strengthen its share price and increase its chances of winning VSEL. Conversely, if GEC were to win the helicopter, that might depress BAe's share price and its chances. There is thus 6 chance that one company could win both the Trafalgar and helicopter contracts, substantially broadening its range of work and strengthening its hand in the struggle for dominance in the UK defence market.

rate cuts By John Gapper and Geoff Dyer

Eurotunnel, the Anglo-French

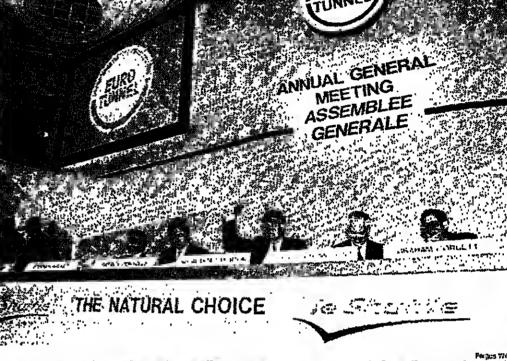
operator of the Channel Tunnel, yesterday warned its 225 banks that it would press for a cut this autumn in interest payments on its £6.8bn debt ruling out a further rights issue this year. Sir Alastair Morton, co-chairman, told the group's annual gen-

eral meeting in London that it would negotiate with banks both "the cost and timing" of interest payments, and would "approach that debate in a robust frame of mind". He said afterwards that the 1.6

per cent average margin on its debt was "no longer appropriate" as the risks were now smaller, although without further refinancing the project is likely to run

Sir Alastair said it was "wrong to assume" that banks would be offered 6 debt-for-equity swap in negotiations. Bankers to the project also said they would be unlikely to sacrifice the priority rights by swapping debt for

However, Eurotunnel is thought likely to seek refinancing of some debt in a fresh loan, convertible into equity in up to fiva years' time. This might include a call option to allow the company to avoid conversion if cash flows improve.



On the platform, from left: Stephen Walker, company secretary; Patrick Ponsolle, co-chairman; Sir

with one of its leading banks, or

seek additional finance from a

Bankers said they might press for another rights issue to bridge the funding gap up to the esti-mated break-even point in 1998, although Sir Alastair told shareholders that it did not "plan to ask you for more equity this year". One banker said Eurotunnel's financing costs were likely to fall by early next year by a quarter of a percentage point, as the project was declared complete. It could also gain from the ending of fees from guarantees on £950m of its debt.

Bankers suggested Eurotunnel

long-term credit bank. "It is a different prospect now from a tunnel that is not finished," said a banker. Eurotunnel is seeking cash from other sources, although it appears unlikely to gain £150m from conversion of warrants on October 31 because the conversion price is 310p. Its shares

quoted in London closed 6p down Str Alastair said a decision was

might either try to refinance debt expected between by September over whether Eurotunnel could proceed with a £2.3bn claim against its railway operators. The case is in arbitration at the International Chamber of Commerce. Mr Patrick Ponsolle, co-chair-

man, said it would also renew a battle to stop duty-free sales on cross-channel ferries and aircraft. The group is paying a rate of interest of 7.1 per cent on its £6.8bn debt, compared with a the forecast of 6.15 per cent in last year's rights issue prospectus. Lex. Page 14

Salomon wins advisory role in Telefónica sale

The Spanish government yesterday appointed Salomon Brothers, the US investment bank, as its financial adviser for the sale of 12 per cent of the equity it owns in Telefónica, the domestic telecommunications

The sale, which is due before the end of the year, is likely to raise about Ptal82hn (\$1.50n) at current market prices and will reduce the government's owner-ship of Telefónica to 20 per cent. Salomon's mandata, which could earn it up to \$3m in fees, represents a leap for the bank's ousiness in Spain where recent large public disposals such as the energy group Repsol, the alectricity generator Endesa and the Argentaria banking corporation, have been managed by rival US institutions Goldman Sachs and

Morgan Stanley. Salomon raised its profile with the Spanish government when it played an important role in valu-ing different bids for the troubled Banesto, which was acquired by Banco Santander a year ago. The advisory role that Salomon

has gained in Telefonica will strengthen its presence in the global telecommunications sector, which a senior executive of the bank in London said had become "the main industrial priority for the firm". lt confirms Salomon's expan-

sion from the US sector and its increasing role in Europe where it advised Matav, the Hungarian telecommunications company, in its \$875m partial privatisation late in 1993. The Telefonica disposal is

in part because several European

telecommunication groups plan disposals soon, and in part because of the imponderables surrounding the Spanish operator as it braces for full privatisation and the deregulation of the domestic telecommunications sector by 1998.

In addition to a partial privatisation of Portugal Telecom. Italy's telecommunications com-pany. Stet, is due to tap the mar-ket this year. Similar disposals are expected by France Telecom and Deutsche Telekom.

The Spanish government is in a hurry to sell off its equity in Telefônics to reduce its budget deficit and meet the Maastricht treaty's convergence criteria for economic and monetary union. A 12 per cent disposal has been earmarked for this year and, in a move that could unsettle the market's approach to Telefónica paper, the government has indi-cated that it will reduce its equity in the telecoms group to a token level within three years.

Analysts are meanwhile unsure about bow Telefonica will cope with a full deregulation of the domestic sector which the government has brought forward from 2003 to 1998 when a second licence for basic telephony will be swarded.

To ensure continued national control of Telefónica, the government has encouraged the creation of 6 core group of domestic investors built around the big retail bank, Banco Bilbao Vizcaya, the state-controlled financial group, Argentaria and the Barcelona-based savings bank, La Caixa. The group owns 7.5 per cent of Telefónica's equity but it is not clear whether it will be viewed by analysts as complex, reserved part of the 12 per cent



Vital board

offer from

Den norske

Vital Forsikring, Norway's

second largest life and pension group, yesterday rejected Den norske Bank's offer to acquire

the cumpany and strongly urged shareholders to do the

Vital's board argued that the

bank's proposals did not guar-antee "continuation of the pos-

itive corporate culture and

organisational form

which... have been successful

and valuable contributions

tn the Norwegian insurance

The move intensifies a two-week battle between DnB, Nor-

way's largest hank, and

Aegon, the Dutch insurance

group, to gain control of Vital.

In its controversial dual role,

the government is the regula-

tor and holder of a 72 per cent

rejects

By Karen Fossil

The Saudi prince who rescued the EuroDisnevland theme park and bought a controlling stake in New York's Plaza Hotel is heading a consortium which could buy a large stake in Mr Silvio Berlusconi's Italian media business.

But Prince al-Waleed hin Talal bin Abdul, nephew of Saudi Arabia's King Fahd, is unlikely to make any move until after Italy's referendums on June 11. when Italians will vote on the future of commercial television.

Mr Berlusconi's Fininvest owns Italy's three main commercial television channels and Publitalia, an advertising agency, but may be forced to sell two of the channels after

Minority shareholders in

Compagnie d'investissments de

Paris, a quoted French holding

company, yesterday lost their

Elliott Associates, a US-based investment fund

which has a stake in CIP.

failed at the annual meeting to

win sufficient backing for its

sources cited by the Reuter news agency yesterday confirmed a report in La Repubhlica, the Italian daily newspaper, that the prince met the former Italian prime minister on Sunday.

According to the report, the prince and allies are interested in a 35 per cent stake in Mediaset, the holding company for Mr Berlusconi's television and advertising interests. Fininvest declined to comment.

La Repubblica said Prince al-Waleed could be allied with Time Warner of the US and Kirch, the German television group. Kirch has already expressed an interest in the sale of Mr Berlusconi's media

count to net asset value.

about group strategy.

within France.

It had argued for an increase as a result of opposition from

in the dividend and proposed Banque Nationale de Paris,

that CIP buy back some of the which bolds almost 90 per cent

Elliott had tabled a series of

resolutions following concern

that the board of CIP had been

unresponsive to its concerns

aged to generate support from other shareholders in CIP, in a

relatively unusual exercise of

minority sharebolder power

Elliott, however, lost largely

However, the US fund man-

media entrepreneur who heads News Corporation, about the future of his media group. The two met in Rome last week, and Mr Murdoch has said he would buy Mediaset and then seek minority Italian share-

But the referendum is only the first hurdle to a possible deal between Mr Berlusconi and foreign partners. Italian public opinion is also likely to be hostile to foreign ownership of television interests.

In 1991, Prince al-Waleed bought about \$590m of convertible stock in Citicorp, the US banking group. Last year, he bought 25 per cent of Euro Disney, which operates the theme interests.

Mr Berlusconi is also in preliminary talks with Mr Rupert

park near Paris, and in April
he took control of the Plaza
Hotel with another partner.

CIP investor group defeated of the voting rights of CIP. However, Mr Michel Pebershares to help reduce their dis-

Mr John Pollock, portfolio manager of Elliott, described

the CIP board's views on his

proposals as "outdated",

although he conceded some

progress had heen made in

opening up discussions with the board.

stake in DnB.
On May 2, Aegon offered
NKr103 a share for Vital; two eau, BNP chairman, said CIP weeks later, DnB launched a had followed a consistent stratcounter-bid of NKr110. Aegon last Friday withdrew its offer, saying it would wait egy since it was quoted in 1987. He said the discount on the share price reflected, among other things, the performance of the French stock market.

market."

for the ontcome of DnB's bid before submitting its nwn formal proposal, which is expected to match DnB's offer. DuB's formal offer was sent to shareholders on May 23 for

acceptance nn June 8. Vital's hoard had originally urged sharebolders to wait until the end of the acceptance period before deciding on DnB's offer.

Vital said Aegon was taking steps to apply immediately for permission to acquire all of Vital's shares. DnB responded to the rejec-

tion by assuring Vital that the company, with the bank as its owner, would retain its board, identity, name and logo and continue to be based in the west coast city of Bergen. It said Vital would be owned

hy Vital Hulding, which, in turn, would be owned by DnB. It said Vital would be responsible for DnB's life insurance and capital management operations. DnB Investor and Aktiv, two DnB units, would be incorporated into Vital. However, Vital said DnB

could not provide the company with insurance expertise.

Tchuruk to head Alcatel Alsthom

Mr Serge Tchuruk, chairman of Total, yesterday announced that he would move from the head of the French nil group to take charge of Alcatel Alsthom, the engineering group which has been rocked by corruption investigations and falling profits.

Alcatel has been eager to

resolve a crisis sparked by the departure of Mr Pierre Suard, under investigation in a cor-ruption probe in April. The company said Mr Tchuruk would take over later this month. The Total chief, a respected

manager, is to be replaced by Mr Thierry Desmarest, his dep-nty at the oil group. Mr Tchu-ruk will remain on the Tntal

Shares in Total responded favourably, rising FFr6 to FFr307.6. At Alcatel, the imminent arrival of Mr Tchuruk prompted another healthy rise, experience of the telecoms and engineering sectors, inherits a pushing shares up FFr13.1 to FFr451.8. Alcatel had already gained almost 4 per cent on the stock market on Tuesday amid speculation about Mr Tchn-

ruk's appointment.
"It is good news for two rea-sons." said ona analyst. "It ends the uncertainty hovering over Alcatel for the past six months or so, and it brings in someone of calibre."

engineering sectors, inherits a group with big problems. Last year, Alcatel's net profit fell about 50 per cent to FFr3.62bn (\$738.7m), the first decline in its history. It has also been shaken by the cor-Investigations. although it denies any wrong.

However, Alcatel remains one of France's most profitable companies and one of its big.

Deputy slips into Total's top spot

r Thierry Desma-rest's career in the French administration and at Total has taken him from Algeria to New Caledonia and then on to Latin America. Yesterday, it took him to the top post of the

French oil group. Mr Serge Tchuruk's decision to move to Alcatel Alsthom, the ailing transport, telecoms and engineering concern, opened the way for Mr Desmarest to move smoothly in behind the chairman's desk.

There is more to his appointment than a simple changing of the guard at two of France's biggest companies: It is a rare example of internal succession at the top levels of French industry.

Mr Desmarest is presented with a hard act to follow. Mr Tchuruk is regarded as one of France's top managers, steering Total through recession in the world oil industry, while increasing productivity and cutting costs.

The 15 per cent profits rise at the oil group last year, to FFr3.4bn (\$693.5m), is evidence of Mr Tchuruk's achievement. and raises concerns about his departure, "It cannot be good Aymeric de Villaret, oil indus-try analyst at Société Générale in Paris.

But Mr Desmarest has some cards up his sleeve. He knows the company well, having joined the group in 1981 after several years in the administration of the industry ministry. Over the next decade he moved through many of the group's most important geographical operations before becoming managing director of exploration and production in

In this post, he has been responsible for one of the company's more successful areas. In particular, discoveries of oil and gas in Colombia and esia have helped huttress Total's reserves, increasing them from 3.6bn barrels of oil equivalent five years ago to about 4.3bn barrels today.

For the past five years, the 49-year-old Mr Desmarest has been on the company's executive committee, a group of about half a dozen top managers who work closely with Mr Tchuruk. The outgoing chairman yesterday emphasised his confidence in the tearh, "If I had the slightest doubt about their ability to continue our

Mr Tchuruk told a shareholders meeting. He said he regarded Mr Desmarest as "his closest collaborator" at the

The net result appears to he an emphasis on continuity rather than change. "The strategy is in place, and it is unlikely that Mr Desmarest will see the need to adjust the course," said one industry ohserver. "After all, he has been one of the main players in

be appointment of Mr Desmarest, however, does reflect another kind of change. The latest move in a series of high-profile successions in French business, it is one of the very few tn involve an internal appoint-

At Générale des Eaux, the utilities and communications group, Mr Jean-Marie Messier. an investment banker, was brought in last year as managing director and heir-apparent to Mr Guy Dejouany. PSA. Peugeot-Citroen, the automotive group, last week comfo Jean-Martin Folz from Eri-

preted as a step in preparing for the succession of Mr Jacques Calvet, the current chairman. Alcatel provides a further example. Mr Tchuruk, after all has no experience of telecoms or of the high-speed train industry.

Internal successions are not unheard of in France. In March, Mr Alain Joly moved up from the number two slot at Air Liquide, the industrial gases group, to take over the chairmanship. In family controlled husinesses, such as Bic or Bouygues, internal and hereditary succession is the

Beyond the French family industrial empires, however, internal appointments are the exception rather than the rule. At Total, Mr Desmarest's rise is seen as evidence of the change in corporate culture under Mr Tchuruk and his shift towards a more collegial management style, away from the all-powerful model of the French president directeur general, For Mr Desmarest, that legacy is likely to be of comfort as he takes his new

Kaufhof warns of difficult year

in Frankfurt

in Paris

Kaufhof, the German retail group, said vesterday it hoped to keep profits steady this year after a steep decline in 1994, when net income feli 43 per cent to DM137m (\$98.6m).

However, it expects 1995 to be another difficult year in which higher profits would be achievable "only with a great

Turnover in the first four months was 4.6 per cent higher media, coosumer electronics

and computer outlets providing most growth.

Mr Wolfgang Urhan, the chairman who in March replaced Mr Jens Odewald, said: 'We shall do everything to achieve a result in 1995 which is at least at last year's level." He called profits in the first four months "relatively

Department store sales were lower because of restructuring - including the integration of the Horten stores bought last year - and flat consumer spending

The company, controlled by

Swiss-based cash and carry concern, has announced a dividend cut to DM12 a share from DM13.50, putting it hack to the level of 1992. Profits were hit by poorer results in the store

recently sold most of its travel interests. Mr Urban said investment this year would be around balf 1994's DM1.5bn.

and travel divisions, It has

Kauthof was studying areas of growth which, he said, would include the foreign expansion of some specialised By John Ridding

Elf Aquitaine, the French oil group, yesterday forecast a sharp increase in results in the first half of the year. It estimated that operating profits would almost double compared with the same period in

Mr Philippe Jaffré, chairman.

cautioned against extrapolating the first-half trends, but said the company expected a hig increase in current net income for the full year. Its shares rose FFr13 to FFr401.

The French oll group reported operating profits of FFr4.4bn (\$897.4m) in the first half of last year. After yester-day's comments by Mr Jaffre. upwards their forecasts for operating profit for the first six months of 1995, to about

The optimistic tone on trading was tarnished by the disruption of the company's annual shareholders' meeting. Trade unionists at the group, who expressed fears about pos-

some industry analysts revised sible job cuts, forced a temporary suspension of the Paris meeting.

Referring to the improved trading performance, Mr Jaffré cited the increase in crude oli prices which has lifted the sector as a whole. The refining and marketing sector, be cau-tioned, continued to suffer from a decrease in margins.

All of these securities have been sold. This announcement appears as a matter of record only. This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus and related Prospectus Supplement. copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 1995



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RBC Dominion Securities Corporation

Merrill Lynch & Co.

Goldman, Sachs & Co.

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Floating Rate Notes due 2006 For the terred from May 3, 1998 to August 31, 1995 the Notes will carry an interest rate of 6.0% per annum with an interest amount of ECU 1993; per ECU 1998 and of ECU 1993; per ECU 1995 to Note.

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In accordance with the provisions of the Notes, notice is hereby given that the rate for the period from May 31, 1995 to August 31 1995 has been fixed at 7.8125% per annum. On August 31, 1995 interest of FRF 199.85 per FRF 10,000 non

amount of the Notes, and interest of FRF 1,938.53 per FRF 100,000 normal amount of the Notes will be due against coupon no. 32. Notices to holders, including notices relating to the quartorly determination of interest rate, will be published only in "L'Agence Economique et Financiere" (Paris) and in "The Financial Times"

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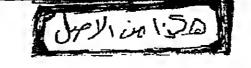
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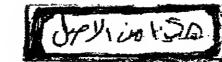
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Chank lifts income \$165.5m in term

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INT'L COMPANIES AND FINANCE

Euro Disney opens new attraction

By Andrew Jack in Paris

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Euro Disney, the operator of the Paris-based theme park, yesterday refused to provide projections of the number of new visitors expected to be attracted by its new Space Mountain ride

However, it said experience showed that big attractions increased attendance by about 1m in US parks.

Inaugurating the new ride, Mr Philippe Bourguignon, chairman, stressed that the

estimated impact of additional visitors as a result of the Space Mountain had been taken into account in financial projections approved as part of the park's restructuring The shake-up was agreed last

year with creditor banks and shareholders. Mr Roy Disney, vice-chairman of Walt Disney of the US, stood by the group's decision to locate its European park

near Paris, Asked where he would place the park if he had the chance to start again, he replied "You

are sitting in the place* - in spite of financial difficulties that have plagued it since its opening.

Mr Bourguignon said plans were under way to develop a second theme park in the Euro Disney complex. However, he said his objec-

tives were now focused on bringing the existing site into profitability by the end of next Mr Tim Delaney, responsible for designing Space Mountain.

admitted there were faster and

taller roller coasters in other

the new ride was "a lot more story orientated and designed for the entire family" than many of its competitors, ín line with the Disney Mr Gilles Pelisson is joining

theme parks. However, he said

Euro Disney as executive vice-president, responsible for overseeing all aspects of the theme park and resort operations.

He was previously co-president of Novotel Hotels after spending 12 years with the

Rollercoaster ride towards break-even

the Space Mountain roller-coaster which opens today at the Eurodisney theme park near Paris, you will probably finish the trip in tears, such is the speed at which it careers

along the track. But Space Mountain could prove to be a tear-jerker in another sense in that it symbolises what could prove to be the park's saviour.

"It's an important psychological event," says one staff member. "It allows us to turn the page on the past, and to return to our raison d'être in the park." He is referring above all to the painful financial restructuring negotiated with bankers and shareholders last summer. This rescued the park in the short-term but left doubts about its prospects for survival.

Euro Disney executivas maintain the financial black clond over the park was largely to blame for the 10 per

f you sit in the front seat of cent fall in the number of visitors, to 8.8m, in the year to

September 1994. They bope the opening of the FFr600m (\$118m) Space Mountain - backed by extensive advertising - will re-establish the leisure attractions as the main image of the park in the public's mind, and so significantly boost the number of visitors.

One difficulty in assessing the impact of the new ride is Euro Disney's reluctance to reveal information.

"If we have learnt one thing in the last three years, it is to be prudent," says one insider. That applies not only to its internal forecasts, but also to setting any objectives publicly. Mr Philippe Bourguignon, chairman and chief executive, will say only that Space Mountain should help bring the park towards its current capacity of 19m visitors.

He makes no specific predictions about the contribution of

the new ride, but maintains that the company can achieve the objectives agreed during last year's restructuring: that is, to become profitable by the

end of next year. Space Mountain is clearly only one factor in the recovery. Equally important is the company's ambitious cost-cutting programme, and wide-ranging changes to entry, hotel and food prices, implemented last season and early this year.

he new ride partly responds to criticisms about lengthy waits for attractions, Space Mountain is offering a capacity of 2,600 people an hour, and distractions for those queueing. While Euro Disney remains convinced that its visitors

generally want a US-inspired theme park experience, it has for the first time made a concession to its largely Europe clientele by modelling the new attraction on Jules

Verne's From the Earth to the

restructuring.
It also faces growing competition across Europe, with discussions advancing on a new theme park in Germany, and the opening in Spain this summer of the Port Aventura park (managed by Tussauds Group, part of Pearson, the UK media group that owns Financial

Andrew Jack

NEWS DIGEST

Zurich Insurance sees further surge in profits in 1995

Zurich Insurance, one of the world's leading general insurers; said it expected another strong profit increase in 1995, writes Ian Rodger in Zurich.

Zurich achieved a 13.4 per cent rise in consolidated net income Tast year to SFr695.4m (\$610m), on gross premium income up 1.2 per cent to SFr25.2bm. Investment income fell 3.4 per cent to SFr4.8fbn.

Mr Rolf Hüppi, chief executive and chair-man-elect, told the group's annual press conference that internal premium income was expected to grow by between about 6 per cent and 8 per cent this year, with an additional 2 cent arising from the expected acquisition of the business of Home Insurance in the US. He forecast that deal, which earlier this week was approved by regulators in New Hampshire, would be completed by the end of June. He said that following the closing of the Home deal and the planned acquisitions of two life insurance companies from the US Kemper financial group late this year, Zurich would be close to its goal of making life insurance 30 per

Koor Industries drops bid for El Al stake

Koor Industries, one of Israel's biggest holding koor industries, one of israel's niggest flotting companies, has decided to drop its bid for a controlling interest in El Al, the Israeli airline, Reuter reports from Tel Aviv. "We decided to do so after the government delayed a decision on the fate of El Al," a Koor source said.

Earlier this year, Koor said it was interested

in a 51 per cent stake in El Al, together with a consortium of local and international investors. Koor held talks with Israeli finance and transport ministry officials in recent months but no progress was made.

In March, the government said it was delaying a planned sale of El Al shares in Israel and abroad until at least October. El Al emerged from receivership in February.

Israeli bank lifts income to Shk165.5m in term

Bank Leumi, Israel's second-biggest bank, saidfirst-quarter net income rose to Shk165.5m (\$55.7m) from Shk101.0m in the year-earlier period. Renter reports from Tel Aviv. The figures are adjusted to the consumer price index.

The bank attributed the rise to an increase in deposits and in loans due in the three months to March 31.

Operating income before taxes rose 11.7 per cent to Shk217.6m from Shk194.8m, while provision for doubtful debts was Shk104.8m, down 27.8 per cent. Total consolidated assets rose to Spk104.6bn from Shk104.2bn at the end of 1994.

Sharp turnround for Steyr-Daimler-Puch

Steyr-Daimler-Puch, the Austrian commercial vehicle maker, has reported a strong turnround in 1994, achieving a net income of Schi819m (\$18.9m) after a profit slump in 1992 and a Sch112.7m loss in 1993, writes Ian

However, the group, in which Creditanstalt-

Bankverein holds a majority of the shares, said it would pass its dividend for the second consecutive year.

Turnover was down 12 per cent at Sch9.1bn, while pretax profits reached Sch187.5m, compared with a loss of Sch120.5m.

Landis & Gyr reports flat sales at six months

Landis & Gyr, the Swiss maker of electronic building controls, electricity meters and coin and card telephones, said its sales were flat in the six months to March 30 at SFr1.39bn (\$1.2ba), but order intake rose 5.6 per cent to SFr1.55bn, writes Ian Rodger. In local currencies, sales were up 6.7 per cent.

No profit figures were given, but the group said both its operating and net income were at levels similar to those in the first half of fiscal

Thai cement groups post solid growth

Thailand's two leading cement companies reported healthy first-quarter profits on the back of a continued boom in the country's construction industry, writes Ted Bardacke in

Siam Cement, Thailand's biggest cement and building materials manufacturer and supplier, said its first-quarter net consolidated profits increased 40 per cent over the same period last year, to Bt2.19bn (\$89.4m).

First-quarter profits at Siam City Cement, a much smaller company focused almost exclusively on cement production and distribution, were Bt731.7m, up 7.3 per cent over the same period last year.

Austrian brewer rises sharply to Sch696m

Oesterreichische Brau-Beteiligung (BBAG), the leading Austrian brewing group, has reported a 25.6 per cent surge in net income to Sch696m (\$71.7m), on revenues up 5.3 per cent at Schill4hn, writes Ian Rodger. Directors have proposed an increase in the dividend to 16 per cent from 15 per cent .

The outlook for the current year is less certain, mainly because of increased competition following Austria's entry into the European

The group said it "expects to maintain last year's profit level". Cost cutting kept profits steady in the first four months of 1995, in spite of a slight fall in

sales, it said. However, the bulk of group revenues would, as usual, be made in the summer months. • Lenzing, the world's biggest viscose fibre maker, said its first-quarter sales were up 8.5 per cent at Sch2.16hn, reflecting "great

Battle over McCain ownership dropped

Mr Wallace McCain, 64, has dropped all litigation against his brother Harrison, 67, after a long fight to maintain joint control of McCain Foods, the Canadian-based international frozen foods group, writes Robert Gibbens in

Montreal. Wallace was the loser in a family battle for the company, which the two brothers had built up-into a concern with sales of US\$2.5bn a

But as it burtles towards its deadlines to break-even. Euro Disney faces new challenges. Most important, it will have to pay increased financial charges from the end of 1996, by which time analysts predict it will need to be attracting 12.5m visitors. The charges were reduced during last summer's

The next two years should show whether the tears on the faces of Euro Disney's executives riding Space Mountain will be those of joy or pain.

Solid rise in earnings at Anglo American

By Roger Matthews in Johannesburg

Anglo American, the largest of Sonth Africa's industrial conglomerates, yesterday reported total net earnings of R3.36bn (8917m) for the year to March 31, up 20 per cent from last vear's R2.80bn

Net income after tax rose by 23 per cent to R2.73bn from the restated 1994 figure of R2.23bn. Attributable earnwhich exclude retain earnings of associates, showed 22 per cent increase to R2.05bn. A final dividend of 350 cents was declared, an increase of 17 per cent, which brings the total for the year to 460 cents compared with last year's 395 cents, much in line with market expectations.

Anglo American said the total dividend increase of 16.5 per cent would provide a record payment to shareholders and exceed Ribn for the first time. After providing for the final dividend, the company's net asset value was R55.65bn, only marginally higher than last year's

Of the company's divisions, industry and commerce per-formed strongly, contributing the largest share of net earnings at 19.9 per cent, rising to R670m from R495 bn. It was closely followed by diamonds which provided 19.5 per cent of total net earnings, rising to R657bn from the previous vear's R628m.

Mining finance dipped to R608m from last year's contri-bution of R630m. Coal surged to R219m from R133m, while gold and platinum increased more modestly to R389m from R335m.

Mr Clem Sumner, head of the gold and platinum division, warned yesterday that bis division was facing another intense squeeze on margins.

The company had been successful in coping with the first squeeze in 1990 through containing costs and increasing productivity, be said, but the problem had re-emerged in

Gold mining costs were continning to rise by 10 to 15 per cent a year, he said, and were unlikely to be matched by similar revenue increases.

Mr Sumner said the industry was only operating 275 shifts a year and the way forward had to be through the introduction of continuous working and bonus schemes.

Notice of Interest Rate To the Holders of

The United Mexican States Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY CHVEN that the interest rates overing the interest paried from June 1, 1995 to December 1, 1995 are detailed below.

Serior Designation Rate Interest Amount Psycholic Data
USD Discount Series O C. 170 Per. P.A. USD 34.05 Per USD 1,000 Desember 1, 1905
PPP Discount Series 0, 1972 Per. P.A. FPE 204.13 Per FFF 5,000 Desember 1, 1905 June 1, 1986 CITIBANK, N.A., Agent



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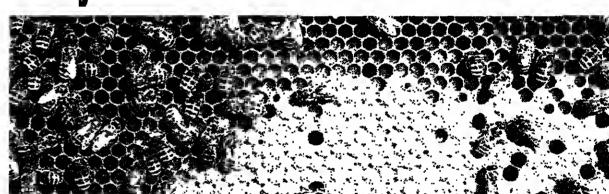
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INTERNATIONAL COMPANIES AND FINANCE

Seagram to hold on to 15% stake in Time Warner

Seagram, the Canadian drinks group, plans to retain its 15 per cent stake in Time Warner, the US medie and entertainment conglomerate, for the time being, in spite of its purchase of 80 per cent of Los Angelesbased MCA. Mr Edgar Bronf-man Jr, Seagram chief execu-

man or, Seagram ther execu-tive, said yesterday. Speaking after Seagram's annual meeting, Mr Bronfman confirmed that be was negotiating an association hetween MCA and DreamWorks SKG. the group recently set up by three of Hollywood's leading personalities. Mr Steven Spielberg, Mr Jeffrey Katzenberg

and Mr David Geffen. He gave no details, beyond seying that "we are bopeful that we will be able to conclude a deal".

Mr Bronfman also declined to comment on reports that he plans to hire Mr Michael Ovitz. the Hollywood power broker. to take over the reins at MCA. He said decisions on managenot be taken until the \$5.7br purchase is finalised, probably

Mr Bronfman vigorously defended the MCA purchase and the near-simultaneous disposal of Seagram's 24 per cent stake in Du Pont, the US chem-

icals group.
He predicted that MCA would grow more rapidly under Seagram than under Japan's Matsushita, its previous owner. "We intend to invest in MCA to grow the husiness," be said.

Seagram reported separately that first-quarter earnings. excluding proceeds from the Du Pont sale, climbed to US\$59m, or 16 cents a share, from \$52m, or 14 cents, a year earlier. The gain on the Du Pont disposal totalled \$3.2bn, or \$8.67 a share.

Operating income fell however, to \$150m from \$162m, reflecting, among other things expenses related to the launch of Chivas Regal whisky in Korea, and investments in south-east Asia.

Jobs to go in Mobil shake-up in Europe

esources Editor

Mobil, the US oil company, yesterday announced a shake-up of its European refining operations which will cost it \$180m and affect up to 500

jobs. The restructuring includes the closure of Mobil's refinery in Woerth, Germany, and cost cutting at two other refineries at Gravenchon in France and

Coryton in the UK.
The last two will integrate their operations more closely in future to save costs.

Mr Lucio Noto, Mobil chairman, said that profitability in the refining industry had been

inadequate. "In Europe in par-

ticular, there is excess refining capacity. Change is essential." The proposed restructuring

would save Mobil about \$80m a year hefore tax, Mr Noto said. The Woerth refinery has a capacity of 100,000 barrels a day, and employs 320 people. Mobil said it bad notified workers' organisations of the pro-

posals, in line with German Last month Mobil shed 700 jobs from its US refining business, and 4,000 from its staffsupport operations as part of a

broad attempt to raise profit-

in total, the cuts were expec-ted to save the company over \$1bn a year before tax.

Carlsberg trimmed to DKr607m at mid-term

By Hillary Barnes in Copenhagen

The strength of the Danish krone against sterling and the dollar-releted currencies hit first-half earnings at Carlsberg, the brewery group. which reported pre-tax profits in the period to March 31 of DKr607m (\$111.7m), compared with DKr731m last year.

Sales were unchanged at DKr7.87bn. Operating profits rose to DKr508m from

With stable currencies, said the interim report, sales would have shown an advance of 6 per cent and pre-tax profits 8 15 per cent rise. Carlsberg B shares fell DKr6 to DKr262 following the report.

Net financial income slumped to DKr87m from DKr212m last year, reflecting snbstantial unrealised gains on the securities portfolio last year and unrealised losses this

A "not insignificant" part of the unrealised losses had been recouped, the report said, pre-dicting that profits for the full year would reach "almost" the same level as last year's pre-

tax DKrl.31bn. In the UK, the Carlsberg-Tetley joint venture's results snbstantially below" last year's, but Carlsberg said the venture had increased market share by strengthening its position in the take-home

In Denmark, where Carlsberg and its other brand-name beer, Tuborg, have a market share of about 80 per cent, there were market gains for some products, including soft drinks.

Investment in breweries acquired in China and Vietnam, and in reorganising production and distribution in the Danish breweries, might have an adverse effect on earnings in the short term, said the report, but as the basic earnings of the group were robust and several group companies expected progress, the result this year should be at the same level as in recent years.

Underwriting malaise spoils CIBC's result Canadian bank is counting cost of ambitious expansion strates Canadian Imperial Bank Canadian bank is counting cost of ambitious expansion strategy, writes Bernard Simon Canadian Imperial Bank of Commerce shareholders can expect tobering news today when anada's second-biggeset form anada's second-biggeset form Canadian Imperial Bank of Commerce bring in expensive outside talent has canadian imperial form of the incommerce outside talent has canadian imperial form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce outside taltobering news today when anada's second-biggeset form of the incommerce o

Canada's second-biggest financial institution reports second-

quarter earnings.

An otherwise strong performance is likely to be tarnished by a mediocre contribution from CIBC Wood Gundy, the investment banking arm. Much of the blame lies with the over-all malaise in North American underwriting and other corporate finance activities.

But CIBC is also starting to

count the cost, without yet reaping the henefits, of an ambitious expansion strategy The plan is designed to vault the Canadian bank into the global top league in a number of specialised financial markets, such as derivatives and

high yield debt. The process has not gone as smoothly as the bank had hoped. The markets in which it plans to specialise - notably the North American structured notes sector - have wilted in the past year.

At the same time, the diversification thrust has distracted attention from bread-and-butter business, such as bond and foreign exchange trading. Senior managers bave bad their hands full in recent months dousing fires of discon-

tent at the trading desks. Mr John Hunkin, CIBC Wood Gundy president, admits that its New York office, mistakes have been made. It gained a foothold in high-The leadership group has to yield securities by buying Gundy president, admits that mistakes have been made.

Argosy Gronp, a significant focus more on our own people, force in the US junk bond mar-ket. Groups to market the new particularly those in the traditional product areas and products have been set up in regions," be says. London, Singapore, Hong Kong

But Mr Hunkin has no doubt about the wisdom of broadening the bank's borizons beyond the relatively illiquid Canadian dollar market.

"I think the strategy is right on," be says. "Our clients had access to global markets and to the capabilities of the major global players. We saw it as being a competitive necessity to bring the global markets to (them l.

The new strategy contains elements of both ambition and caution. The bank recruited a team of derivatives traders from Lehman Brothers as part of a substantial expansion of

generous compensation pack-ages, which in many cases include hefty guarantees, pay-able in good times and bad. The mood was further soured by a new scheme in which employees were encour-

aged - some say compelled, although Mr Hunkin denies there was any pressure - to borrow large amounts of money to buy shares in a "phantom" entity whose per-formance mirrors the investment bank. Like the bank, this company's returns have plummeted over the past year.

A senior executive at ona rival bank says that "we could hire 200 people from there tomorrow if we wanted to".

CIBC's securitisation team of and Tokyo.

At the same time, CIBC has nine people moved over to Toronto-Dominion Bank late gone to considerable lengths to lay a solid foundation for its last year. TD also recently picked up CIBC's London-based diversification. Although the bank unveiled its plans more eurobond trading group.

then a year ago, trading in Door morale has become a sufficient concern that products such as US equity anteed exchange rate swaps did not begin until mid-April. the bank's board yesterday assigned one of Mr Hunkin's senior lieutenants to "we've spent an inordinata amount of time and money to manage the business in a way improve communications between CIBC Wood Gundy'a executive committee and the that was safe". A partner at

CIBC, with assets of C\$155bn. has had a bumpy ride over the past decade. Earnings have recently been at record levels.

Calgary based energy company, then in 1992, as the second-biggest creditor of Olympia & York, the property

Expansion of the New York investment banking operations was thrown into partial reversa last week with a restructuring which cost 27

Mr Hunkin is confident that the current slump in investment banking and risk-management services will not last long. "The need to mitigate

risk is not going to diminish going forward," he says. He adds that the drive into derivatives and other financial products "is not betting the bank whatsoever". The shift in strategy will, if successful, con-tribute "a couple of hundred million dollars," or a relatively modest 6-8 per cent, of the entire bank's bottom line by

the end of the decade. The risk - as CIBC has discovered in the past - is that the downside can be precipi-tous if markets go in the wrong direction. As one Toronto securities analyst puts it, "there's nothing wrong with CIBC's strategy on the face of it. It's just that they seem to be going about it in a very ambitious fashion. To get big returns, they have to take fairly big bets."

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However, CIBC's decision to Embraer staff cut by third since sell-off

By Angus Foster in São Paulo

Embraer, the Brazilian aircraft maker, has dismissed nearly a third of its workforce in the first round of cost-cutting since the company was privatised last December.

The company has reduced its workforce to 3,850 from 5,550, offering a programme of voluntary redundancy payments of 30 per cent of annual salaries. Union leaders say the programme is not voluntary since workers were not given any option. The affected workers

have already left the company's factory outside São Paulo and the dismissala will formally take effect next week. exactly six months after priva-

Mr Juarez Wanderley, president, said the company had become overstaffed with a fall in orders and the downturn in the world aviation market. Job cuts had not been possible in the run-up to privatisation because of political pressures. He said the company, which had 12,500 workers in 1990, was now the right size for conser-

vative estimates of its mediumterm growth prospects.

Most of the dismissals came

swaps and options, and guar-

Arthur Andersen, the auditing

firm, has been hired as chief

administrative officer in New

According to Mr Hunkin,

from administrative and back-up areas, while produc-Embraer is continuing to contract out other administrative services to cut costs.

The programme and other measures will cost \$40m but will lead to annual savings of \$80m, according to Mr

Wanderley.

He said the company was also preparing a \$140m rights issue. Embraer's shareholders,

wbo following privatisation include US investment bank Wasserstein Perella and various Brazilian banks and pension funds, would all subscribe for new shares, he said. The money raised will be used to repay part of the company's \$400m net debt, the first step in an overall debt restructuring.

Mr Wanderley said the outlook for the company's main products was improving. Embraer is likely to sell 19 of its 30-seat, propeller-driven Brasilia aircraft this year, compared with eight last year.

UPS to invest \$1bn in Europe

UPS, tha world's largest package delivery service, said yesterday it would invest more than \$1bn in Europe over the next five years to strengthen its regional operations, Reuter reports from Atlanta.

Under the plan, UPS will spend \$300m on ground vehicles, \$300m on buildings and facilities, \$200m on information technology and more than \$300m in aircraft support. Tha company also named

Mr Edwin Reitman as president of UPS-Europe, a new

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May 1995

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In accordance with the authority provided by resolutions of an Extraordinary General Meeting of shareholders passed on 22nd March, 1995, the Board of Management decided at its meeting of 16th May, 1995 to increase the share capital of the Company from Frs. 2,476,619,100 to Frs. 2,724,281,000 by capitalising Frs. 247,661,900 drawn from reserves.

This capital increase takas effect on 16th May, 1995.

The Menagement Board accordingly decided to issue 2,476,619 new shares of Frs. 100 each fully paid and entitled to dividends from profits realised as from 1st January, 1995. The naw shares will be allocated to shareholders free, on

the basis of one new share for every ten shares held. This allocation will occur during the period 6th June, 1995 to 27th Fractional allotment rights will be settled in cash, when the fractions of new shares due pursuant to these rights are sold and the net proceeds of such sale will be remitted to the holders of these rights pro rata.

The listing of the new shares is expected to take place on the Paris and London Stock Exchanges on 6th June, 1995.

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NOTICE OF REDEMPTION Mortgage Securities (No.2) PLC £150,000,000 Mortgage Backed Floating Rate Notes due 2028

NOTICE IS HEREBY CIVEN to the holders of the Mortgage Backed Floating Rate Notes due 2028 (the 'Notes') of Mortgage Securities (No.2) PLC (the 'Issuer') that, pursuant to the Terms and Conditions of the Notes, the Issuer has determined that, in secondance with the redemption provisions, Assilable Redemption Funds as defined in the Terms and Conditions in the amount of £5.200,000 will be utilised on 15th Jane, 1995 (the 'Redemption Date') to redeem a like amount of Notes. The Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the 'Redemption Price') equal to their principal amount, together with secrued interest thereon are as follows:

OUTSTANDING NOTES OF £100,000 EACH BEARING



Principal Paying Agent
Sugan Gustanty Trust Company
Sanque Internationa
of New York
2 Boulevard Royal 60 Victoria Embani L-2953 Luxembo

London ECAY OJP In respect of the Notes, the Redemption Price will be paid upon presentation and surrender of such Notes together with all unmatured Coupons appertaining therein, on or within a period of ten years and five years respectively, after the Redemption Date. Such payment will be made in sterling at the specified office of the Principal Paying Agent or at the specified office of any Paying Agent by sterling cheque drawn on a town elearing branch of, or transfer to a pounds attring account maintained by the payee with, a bank in London. On or after the Redemption Date interval shall cease to accrue on the Notes which are the subject of this Notice of Redemption.

MORTGAGE SECURITIES (NO.2) PLC By: Morgan Guaranty Trust Company as Principal Paying Agent Dated: lat June, 1995



Hanson PLC England and Wales with Limited Lubility

£500,000,000 91/1% Convertible Subordinated Bonds Due 2006 (the "Bonds")

Convertible into ordinary Shares of Hanson cant to Clause 9:G) of the Trust Deed dated April 30, 1991 constituting the is, notice is hereby given to holders of the Bands that, following the ager of U.S. Industries, Inc to the shurcholders of Hanson on May 31, 1995. the conversion price of 258.75p per Hanson ordinary share has, in accordance with the provisions of the Trust Deed, been adjusted to 248p per Hanson ordinary share with effect from May 31, 1995.

ay: Citibank, N.A. London, Pricipal Paying and Conversion Agent June 1, 1995 CITIBANCO

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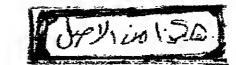
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Manine Capital Corporat Limited

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Remard Sim

TOAY TUNE I

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MPTHAN Vo.2) PLC und Floating Rate

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CITIBANG

INTERNATIONAL COMPANIES AND FINANCE

German stock market seeks ambitious revamp the German stock mar-ket, dominated hy

Qantas chiefs step down from board of Air NZ

Mr Gary Pemberton, chairman of Qantas, and Mr James Strong, the Australian airline's managing director, have resigned from the board of Air New Zealand, in which Qantas holds a 19.4 per cent stake.

The resignations appear to result from the increasingly complex situation surrounding the Australasian aviation market. Although Qantas is Air NZ'a second biggest shareholder, after Brierley Investments, it competes with the New Zealand-based airline on some international routes.

More recently, Air NZ has been talking to Mr Rupert Murdoch's News Corporation about buying the latter's 50 per cent stake in Ansett Airlines. Ansett is Qantas' main Australian competitor.

This, in turn, has raised the quastion of whethar Qantas might enter the New Zealand domestic market (corrently serviced by Air NZ and Ansett) to ensure that competition con-

Also, the issue of whether Qantas should continue to hold a stake in Air NZ has been aired, although Mr Strong has said that this should not be directly related to the Ansett

Mr Pemberton said yesterday that "growing areas of com-mercial competition between



Gary Pemberton: unable to participate fully on board

the two airlines prevented them both from participating in a range of hoard discussions" and that "the need for the Air New Zealand board to consider a wide range of strate gic matters had brought the

issue to a head". The two Qantas board posi-tions will be filled by two independent directors, who will participate fully in hoard discussions. They will be Mr John Landels, chairman of the State Rail Authority of New South Wales, and Mr John Curtis, who is on the board of a number of Australian-based companies, including MMI, First Data Resources and Roth-

New strategy Frankfurt, has big ambitions. Not only does it want to compete more effectively with London, the leading European securities market, but it is also the clarity and liquidity of the keen to attain a status more in keeping with Germany's ecobusiness, writes Those two motives underlie

the new strategy presented on. Tuesday hy Deutsche Börse, Deutsche Börse has already which runs the Frankfurt stock and bond markets and Deutsche Terminbörse (DTB), the derivatives market. Even if it does not succeed fully, the plans signal powerful changes on the German financial scene.

They are aimed at bringing more clarity into Germany's scattered markets through unificult to understand why there form pricing, electronic trading should be eight stock markets and increased efficiency and but attempts to streamline the cost-effectivenes structure meet strong regional This will definitely help the

visibility and liquidity of Ger-man equity business," said Mr Jeff Zorek, equity trading manager at Lehman Brothers, the US investment bank, in London. "I think they [Deutsche Börse] are looking forward to end of floor trading." the late 1990s in a very positive

The Frankfurt stock exchange - Germany's higgest with about 75 per cent of husi-ness - is roughly half the size of London in traded volume terms. In continental Europe, Frankfurt is supreme, with volume last year more than twice thet of Paris.

nomic strength.

aims to improve country's equity **Andrew Fisher**

announced plans to merge the operations of Frankfurt, Dusseldorf and Munich - a step which could threaten the existence of the smaller Hamburg, Stuttgart, Berlin, Hanover and Bremen bourses. Foreign investors find it dif-

opposition. A fully electronic trading system would get round this problem by putting prices on the same basis. "This will be revolutionary," said one German banker. "It will mean the

Eventually, it will not matter there traders and investors deal, since all transactions will be computerised.

But the strategy still has to be implemented and could take five years, the banker added. "At the moment, it's like when you have a bouse huilt and nod approval of the architect's plans." Deutsche Börse's own(nd 000' MQ) capitalisation (DM bn)

93 94

ers, mostly banks, will have to give the final go-ahead.

1967 88 89 90 81 92

On your marks

As well as improving the effi-ciency of securities markets, the strategy is designed to give them a strength and depth more commensurate with Germany's economic and monetary strength.

his means more new issues. Last year, there were only 15 initial public offerings totalling DM2bn (\$1.4hn). "Germany was thus last in the rankings of internationally leading cspital markets," Deutsche Börse's annual

report said It called Germany's primary market "manifestly weak" and said there was much untappedpotential. "There are thousands of successful mediumsized businesses that have not vet financed their growth by raising capital on the

1999 91 92

Deutsche Börse intends to do more to encourage new issues, although it will be up to the government to remove the tax disadvantage faced by companies taking the IPO route.

The IPO trend in 1995 is healthier than last year. But the event the market is really looking forward to is the DM15hn issne of Deutsche Telekom shares next year. This will test the ability of domestic and foreign banks to sell such a blg issue and will show whether Germans are ready to

take to equities in a hig way. "As yet," Deutsche Börse added, "no clear stockholding culture has emerged among

private investors in Germany.'

Its strategy is intended to com-

bat this and other deficiencies

by focusing on three key areas:

Benchmark products. These

are highly liquid shares (such

as Daimler-Benz, Siemens and

Deutsche Bank), government

bonds and derivatives. Foreign investors account for nearly 50 per cent of trading in this sector;

 Domestic products. These comprise less liquid shares and fixed interest securities such as Pfandbriafe (mortgagebacked bonds). Included will be a new market for small, fast-growing companies. Mid- and small-cap indices for shares of companies with a market capitalisation below DM2hn and DM500m respectively will also Operation-based services. This will include settlement, back office custody and other administrative activities. Deutsche Börse is aiming at a speedy and cost-effective settle ments with a minimum of risk.

entral to the strategy is a fully electronic trading system as opposed to the present combination of Ibis, accounting for nearly 40 per cent of trading in the top 30 stocks in the DAX index.

and floor trading.

Mr Werner Seifert, chief executive of Deutsche Börse, hopes the first stage will be ready in 1998 as the replacement for Ibis.

Eventually, the hope is that this will be part of a European electronic trading system, to which all market participants will have access. Talks are taking place with France on linking up both the cash and derivatives markets. In addition, the DTB will be marketed intensively in Europe and, later, the

Whether or not the changes eventually put Frankfurt on a par with London does not really matter, says Mr Zorek. "There is room for competition." Germany needs more quoted growth companies and the new strategy could encourage these and stimulate investor interest. "Size is not the only indicator - what's important is the ease which which you can access the market."

Wilson and Horton hurt by one-off costs

By Terry Hall in Wellington

One-off costs of NZ\$12m to cover redundancies and writeoffs on printing presses trimmed tax-paid profit at New Zealand publisher Wilson and Horton by 22 per cent to NZ\$32.46m (US\$21.8m) in the year to March 31.

The company, 29 per cent owned by a consortium of Irish businessman-Mr Tony O'Reilly and the Irish Independent. Press, lifted tax-paid earnings before the write-offs by 7 per cent to NZ\$44,46m. Group sales rose 9 per cent to NZ\$402m. Mr Michael Horton, manag-

ing director, said all divisions had performed in line with

Newspaper advertising vol umes had been strong in the Auckland region; particularly at The New Zealand Herald, the country's biggest circulation newspaper. Advertising volumes were continuing to show growth.

Mr Horton made no mention of the arrival on the share register last month of the Irish consortium, which will appoint four directors by the annual meeting in July.

Shareholders received a spe-

cial \$NZ1.50 a share dividend as part of the agreement which ended Brierley Investments' move to buy a controlling stake in the company, which was then sold to the Irish con-

Bangkok Land suffers sharp setback in year

This result underlines analysts' fears that the company's ambitious Muang Thong Thani new town in northern Bangkok has failed, so far, to attract a

year earlier. One of the company's main problems is that Bangkok homehuyers do not appear ready to move into high-rise housing in tha 640-ha new town when cheaper accommodation can be acquired in more

By William Barnes

in Bangkok

Bangkok Land, the big Thai property company controlled by the Sino-Thai Kanjanapas family, has reported a worse-than-expected 87 per cent drop in net profits to Bt661m (\$26.9m) for 1994, from Bt5.03m a year earlier.

large number of buyers. Mr Neil Semple, research manager at HG Asia, calculated that Land made a loss in the fourth quarter of Bt331m, compared with an estimated fourthquarter profit of Bt2.92bn a

modest developments.

Mezzanine Capital Corporation Limited

Notice to the holders of the Bearer Depositary Receipts ("BDRs") evidencing Participating Redeemable Preference Shares of US 1 cent each ("Shares") of Mezzanine Capital Corporation Limited (the Company")

Notice of Extraordinary General Meeting NOTICE IS HEREBY GIVEN to the holders of the BORs that Chemical Bank (Querney) Limited (the Depository) has received notice from the Company that an Educardinary General Meeting of the Members of the Company will be held at Meeting House, Beth Surset, St. Hele, Jersey, Channel Islands on Wednesday, 28th. June, 1995 at 11,00s.m. to consider and if thought fit, to pass the following

dence with Article 33 of the Company's Articles of Associate I go'into voluntary liquidation with effect from June 30. 1985 THAT Paul Anderton of Mesers. Price Waterhouse, Grand Cayman and Wellington Administrators (C.1.) Limited be appointed joint liquidators. THAT the remaining investments of the Company be liquideted at apportimes and that the joint liquideteds when be entitled to rely upon the contraction of Charterhouse Group International Inc. as investment Advisor in

THAT the joint liquidators shall be authorised to continue the engagement at the expense of the Company of Wallington Administrators (C.I.) Limited as Administrator in accordance with the terms of its Agreement dated 24th May. 1983 and Mezzainine Capital Corporation (Managers) Limited as Menagoustewist but the terms of its Agreement dated 24th May 1983 and/or such other administrators, advisors, custodians and other agents as they may deem to

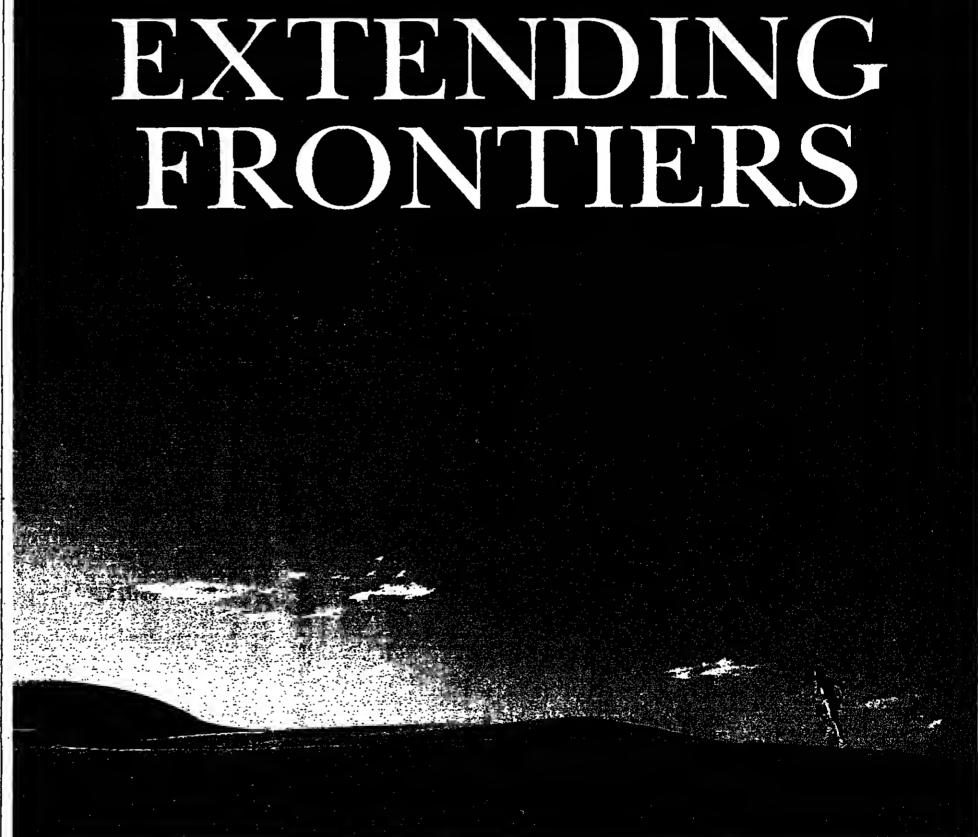
Trivit at the books, accounts, papers and documents of the Company and of the Joht Equidators be retained by the Joht Equidators for a period of skr (5) years from the desolution of the Company, after which they shall be destroyed. SDR hotises have the right to stand and speak at the Extraordinary General ship but not themselves to vote thereat. BDR hotises may however iretruct the position and to the exercise on their behalf of the voting digits stributable to the security of the stributable of the lessest on the behalf of the voting digits stributable to the security of the stributable of the lessest of the stributable to the security of the stributable of the security of the stributable to the stributable to the security of the stributable to the security of the stributable to the stributable to the security of the stributable to the security of the stributable to the security of the stributable to the stributable to the security of the stributable to the security of the stributable to the security of the stributable to the stributable to the security of the stributable to the security of the stributable to the security of the stributable to the stributable to the security of the stributable to the security of the stributable to the security of the stributable to the stributable to the s instructions as to vering must be given either to the Depositary or to a Paying Agent, Cedel or Buroclear ("a peying agent") in writing not learn than Frichy, 23rd June, 1995 and must be accompanied by the BDR in respect of the Shares for which such instructions are given. The Depositary or relevent Paying Agent must be satisfied that such BDR is held in a blocked account to its order until after Wednesday, 28th June, 1995, Voting Instruction forms may be obtained from any Paying Agent.

deposit of a SDR with or to the order of a Paying Agent the holder thereof tain a receipt which will gettile him to stand and speak at the Edmortinary I Meeting.

General Meeting.

BDRs deposited with or to the order of a Paying Agent will not be reli
the first to occur of (A) the conduction of the above-mentioned meeti
adjournment thereof or (B) the surrender to the Paying Agent, not less that
below the time for which such meeting or any solicumenent thereof is conthe scools issued by the Paying Agent in respect of each such deposited if
to be released or the BDR or BDRs cossing with its agreement to be
order. The Paying Agent shell promptly give notice to the Depositer
summinder or release.

by: Chemical Bank (Ga



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Reuters is the world's leading information provider; ICMB, the International Centre for Monetary and Banking Studies, is one of Europe's premier executive schools for finance. Together, we have created an exciting new programme "Extending Frontiers in Finance". This year's class is designed to advance the theory, and the practice, of risk management, including the newest research and technology. And methodologies like JP Morgan's Riskmetrics. 14

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Berkeley, a leading expert in this field, and senior regulatory experts on value-at-

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DATES AND LOCATIONS

The first two sessions in the EXTENDING FRONTIERS programme 1995 will be held as follows Frankfurt 22-23 August 1995 Vienna 24-25 August 1995

INTERNATIONAL CENTER FOR MONETARY AND BANKING STUDIES

Extending Frontiers in Finance, c/o ICMB, P.O. Box 36, 1211 Geneva-21, Switzerland.

Share price relative to the FT-SE-A AM-Share latter.

The snag with such a tactic is that BAe's

finances are no longer the hlack hole they

once were. Radical restructuring over the past

two years has left it with a smaller but cleaner balance sheet. BAe has also waged a success-

ful campaign to persuade investors of its finan-

cial responsibility. GEC would have to unearth

some new skeletons to knock their confidence

Dawson Intl at £1.7m |TI served with after restructuring

By Motoko Rich

Dawson International returned to the black in the year to £1.7m (\$2.66m) against restated losses of £98m previously.

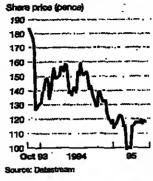
The restructured Edinburghbased textile group also con-firmed the sale of Dawson shower curtain and bathroom accessories business, to Springs Industries of the US

An exceptional charge of £9.7m related to the disposal of the husiness, which incurred operating losses of £4.5m in the year. A further charge of £5m for the restructuring of the restructuring of

clothing subsidiary, helped raise total exceptional costs to £22.4m (£106.2m). Before exceptionals, pre-tax profits increased to £24.1m (£8.4m).

Mr Derek Finlay, chairman, said: "We have taken the steps on restructuring we deter-mined to take. We are in a better position to do the joh we were hired to do." Depressed demand and the

unusnally warm winter in northern Europe and the US were behind a fall in turnover to £414.2m (£444.1m), of which £328.4m came from continuing operations. The sales decline was exacerbated by rising raw material costs for wool, cotton



and cashmere, which increased

Acquisitions help MEPC as demand remains patchy

By Simon London. Property Correspondent

Acquisitions helped MEPC, the second largest UK property company, report a 25 per cent increase in pre-tax profits from £47.6m to £60.4m (\$95m) for the six months to March 31. Underlying the advance was

a £16.6m improvement, from £112.6m to £129.2m, in net income from properties as a result of buildings acquired during the past 12 months and the expiry of rent-free periods.

Like most property compa-nies, MEPC does not revalue its property portfolio at the half-year stage. Mr James Tuckey, chief executive, said it

British Gas wins

the pay battle

Cedric the pig relishes his 15 minutes of fame

By William Lewis

and Robert Corzine

British Gas yesterday defeated

two independent resolutions

critical of a new reward struc-

ture for executives, bringing

to an end an extraordinary

seven month battle with its

Confronted by 4,600 share-

holders, four members of par-

liament and a pig at British

Gas's annual meeting in Lon-

don's Docklands, Mr Richard

Giordano, chairman of British

Gas, emerged victorions to

declare the row to be finally

over. He said the board's con-

troversial new remuneration

would be misleading to give any indication of likely movements in property values with-

He added that occupier demand for buildings remained patchy in the UK and rental growth was restricted to the best quality buildings, MEPC sold £29m worth of

properties during the period, realising a trading profit of £6.9m compared with £2.3m last time. Mr Tuckey said prop-erties with poor rental growth prospects were being targeted for divestment.

The company spent £100m buying and developing new properties. MEPC's develop-ment projects include seven

structure "is a fast moving

train and let's see where it

The shareholders, mainly

old but showing youthful radi-calism, were told just over 50

per cent of the company's

sbare capital had been voted.

This unusually large voting

turnout hy institutional share-

holders followed an intensive

lobbying campaign by British Gas and shareholder activists.

nance consultancy which initi-ated a critical resolution, said

it was delighted with the num-

ber of sharebolders who had

refused to snpport tha com-

Pirc, the corporate gover-

takes us".

new industrial buildings in Dallas, Texas, and an office park in Brisbane, Queensland. The Northridge shopping cen-tre in Los Angeles, California, which was damaged by the 1994 earthquake, Is due to reopen in July after extensive refurnishment. The rehuilt cen-

traded for a full year. Interest costs increased from £62.8m to £70.4m, although only £3m interest was capitalised, down from £5m. Net deht increased by £71m to

tre will not be revalued until

autumn 1996, when it will have

Earnings per share improved from 8.3p to 10.2p. The interim dividend is unchanged at 5.25p.

> edric the pig fared considerahly better than Cedric the chief execu-

tive at British Gas' stormy

amual meeting in London yes-

but looking substantially slim-

mer on the day, Cedric the Pig

was the chief prop used by

GMB trade union members to

spent his 15 minutes of fame

contentedly chomping his way

through several buckets of

food while Fleet Street photog-

chief executive, had a less

glamorous day. He and his 13

colleagues on the British Gas

board spent nearly six hours

under strong lights on the

stage of the London Arena.

Sustained only by occasional

sips from small water bottles,

they spent the best part of the

afternoon being taunted hy

thousands of angry sharehold-

Not surprisingly, most of the

questioning and criticism was

directed at Mr Brown's 71 per

cent rise in pay and benefits

last year and the new

long-term incentive scheme for

But the meeting was more

than just a chance for small shareholders to let off steam

about what they see as an all-

directors.

Cedric Brown, British Gas

raphers crowded round.

Billed as a 40 stone porker

writs in US alleging fraud

TI Group, the specialist engineering and aerospace company, has been served with writs alleging that one of its subsidiaries defrauded the US Air Force of more than \$20m.

The writs, served in the High Court, claim that Dowty Woodville Polymer overcharged the USAF for components used on swing-wing aircraft. TI. which acquired the company in 1992 as part of its £500m takeover of Dowty, confirmed the writs had been received but declined to comment further.

The allegations centre on contracts for wing seal slots, components ordered for the USAF's F-111 strike jet and the B1-B bomber. Dowty won those orders in the mid-1980s under firm fixed price contracts, in which it was supposed to dis-close its production costs and propose a percentage profit.

The US government has suggested that the UK supplier withheld the true manufacturing costs for such components. Their claims follow a "whistleblower" action launched by Mr Jeffrey Thistlethwaite, a former manager at Dowty Woodville Polymer, which enti-ties him to a share of any dam-

ages awarded.

TI said it would contest the action vigorously. It has asked Allen & Overy, its UK lawyers, and US attorneys Crowell & Moring to handle the case. They are expected to seek a ruling claiming that the US district court for the southern district of New York has no jurisdiction over a company manufacturing components outside North America.

Dowty Woodville Polymer is one of the smallest parts of Ti, contributing sales of £17m to group turnover of £1.4hn last

Exceptional float income boosts Bell Cablemedia

Bell Cablemedia, one of the largest cable operators in the income of £1.18m (\$1.85m) against losses of £3.96m, helped by an exceptional item, writes Christopher Price.

ates in the UK. Bell had a 33 per cent stake in Videotron,

the quarter, taking the total to 422,235. Its franchised areas cover 1.7m homes.

Penetration levels in cable television and residential telephony slipped, from 22.3 to 22.1 per cent and from 26.5 to 25.1

tional, Bell Cablemedia's losses UK, yesterday reported a move into the black for the first more than doubled to £7.9m. The group said it had passed a further 59,832 homes during three months of 1995, with net

The £9.08m gain came as a result of the flotation in the US of Videotron, which also oper-

Robert Corzine and William Lewis at British Gas's AGM

too-cozy relationship between

high-paid company directors

and their big institutional

It was also an opportunity

for them to come face-to-face

with the directors' vision for

British Gas. Mr Richard Gior-

dano, the chairman, and his

colleagues see the future Brit-

ish Gas as a highly competitive

But for many of the 4,000 small

shareholders present the pic-

ture painted by the directors

sion with a rousing speech about the opportunities offered

by a more international future.

He conceded that "the com-

pany is principally identified in

the public's mind with the

monopoly supply to 18m

But he said its future growth

lay with expanding into mainly

unregulated markets overseas.

"We calculate that the effect of

regulation since privatisation

has reduced our operating profits hy some £3bn," he said.

As for the company's current

restructuring in which 25,000

staff are to lose their johs. Mr Giordano said: "We should

have begun sooner...but now

we must move very fast indeed

Many on the floor, however.

in order to be ready for compe-

domestic consumers.

Mr Glordano opened the ses-

was an unwelcome sight.

investors.

Illustrate their complaint · UK-based company with an about utility chiefs feeding at increasingly large and important international dimension.

26 per cent. Before the excep-

mourned the passing of the old British Gas. "British Gas is an

exceptional case of a public

company," sald one irate sharebolder. "You can't com-

pare it with others kinds of

tish National Party received a loud round of applause when he suggested that: "British Gas

is still seen as a utility in the tradition of the public service." Others talked of the compa-

ny's losing sight of its "human

focus". There was also wide-

spread support for those who

spoke of the "strong interests

that should hind British Gas

consumers, shareholders and

company was directed solely at the board, in spite of Mr Gior-

dano's skilful attempts to shift

some of the responsibility on to

the government's competition

investors you wouldn't exist," said one shareholder. "But you

[Mr Giordano] are dispens-

The board, not surprisingly,

declined to comment. But both Mr Brown and Mr Giordano

decied strongly that they would be diverted from their

mission to take British Gas

into a brave new world.

"Without the workers and

and regulatory policies.

The blame for the unwanted changes tak-

ing place within the

Mr Alex Salmond of the Scot-

Pig fares better than Brown

£10m to £300m. The shares closed up 4p at 457p, but this was said to be due largely to buying by one institution. Kingfisher ousted four direc-

tors and demoted its Sir Geoffrey Mulcahy, chairman, to chief executive earlier this year, after the first profits fall in the group's 12-year history. The 10 per cent decline to £281m was hlamed on problems in the Comet and Woolworths

Sir Nigel said Woolworths' performance in the 13 weeks to April 29 was "encouraging". with total sales up 5.4 per cent,

tors' remuneration levels . in spite of the fall in Sir Geoffrey's total pay, including pensions, from £1.3m to £949,000 last year, Kingfisher said it was ending three-year rolling

largest DIY retailer, increased

5 per cent, or 3.2 per cent like-

for-like. Superdrug achieved a total 3.9 per cent increase (2.3

per cent like-for-like) and the

French electrical chain Darty

increased sales 1.1 per cent (0.2

During a lively meeting, shareholders criticised direc-

per cent like-for-like).

Kingfisher warns of bigger interim losses at Comet Comet for the six months to July, downgraded group full-year profits forecasts by about exclude store openings and closures, up 4.8 per cent.

LEX COMMENT

Phoney war for VSEL

The battle for VSEL is still something of a phoney war. BAe's renewed hid, restating its offer of 3.3 shares for each of the warship

maker's, is not enough to make the blood

pulsate. Because BAe's share price has risen

sharply in the past six months, the effective value of the offer has increased to £17.30 a

hare. But this has been fully anticipated by

More interesting will be GEC's next move.

After enduring five months of scrutiny by the

Monopolies and Mergers Commission and then

persuading the government to overrule the commission's recommendation, it looks certain

to re-bid. Not only would GEC like to own

VSEL to boost its prime contractor skills but it would be unhappy if BAe bought the warship

company on the cheap.

One tactic would be for GEC to launch its

own cash bid and then seek to undermine BAe's paper offer by knocking its share price. GEC might, for example, argue that BAe's balance sheet is weak. If such a tactic suc-

ceeded, not only would the value of BAe's offer

decline but the company might find it hard to improve its bid, as offering more paper might

merely depress the share price even further.

the market.

Analysts were again downgrading profits forecasts for Kingfisher yesterday, after the retail group warned of increased interim losses in its tronbled Comet electrical chain.

Sir Nigel Mobbs, acting chairman, told the annual meeting yesterday that competition in electrical retailing and promotional costs would mean higger first half losses at Comet, in spite of a 10.5 per cent sales increase in the first quarter. However, the objective remained to return Comet to profit by year end Analysts, now forecasting

despite US decline

contracts to new directors, and intended to reduce directors Quadramatic rises | Hanson to

By Geoff Dyer

Quadramatic, the specialist engineering group, report a 31 per cent increase in pre-tax profits for the six months to March 31.

Kestrel Injection Moulders, bought in November for an initial £4.4m, contributed £524,000 to operating profits, which boosted the pre-tax result to £4.87m, (\$7.64m) against £3.72m. Turnover was 30 per cent ahead at £22.9m (£17.6m), with Kestrel contributing

£1.69m. Mr Tony Gartland, chair-man, said the group was looking to make further bolt-on

At the time of Quadramatic's

flotation in July 1993, Mr Gartland said he wanted to build up a specialist engineering group by acquisition. Coin handling, the group's

largest division, reported unchanged turnover and operating profits of £10.2m and £2.3m. Mr Gartland said there pinball market following the legalisation of gambling in several states, but this had been compensated for by increased

orders from Germany. Profits in the specialist moulded products division more than doubled to £1.03m (£481,000) because of the Kestrel contribution. The instruments division increased profits to £1.84m (£1.21ml with Datapaq, the maker of temperature monitoring equipment, the strongest performer.

slip by less than 9p

Hanson shares are expected to fall by slightly less than 9p this morning ahead of the start of trading in New York in the demerged US Industries

shares. The USI shares have been trading at about \$14% on a "when issued" basis, which is equivalent to about 9p per

Hanson share. But analysts expect Hanson shares to fall by less than this amount when they start trading ex-USI this morning. They argue that some institutions hava sold Hanson shares recently, with a view to hnying them hack after the demerger, rather than cope with the complication of the

USI shares. They also believe that the Hanson shares will be sup-ported by their high

In contrast, USI shares are expected to fall in early trad-

Some UK institutional investors in Hanson will be forced to sell their USI shares. which are not listed in Lon-

acquisitions to Its moulded products and instruments divi-

Borthwicks cut to £0.8m

Pre-tax profits at Borthwicks a £225,000 provision relating to halved for the year to April 1, a Bureau of Alcohol Tobacco from £1.71m to £835,000, after a "rapid and unexpected deterioration" in US sales.
The US was also affected by

and Firearms audit. Mr Peter Brackenridge, chief executive, said the UK had

strengthened. Rodime in suspense

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	CURRENCY	PER SHARE	NUMBER
International Bond Fund	USD	0.0569	7
US Dollar Bond Fund	USD	0.1520	9
Sterling Bond Fund	GBP	0.0045	18
European Bond Fund	ECU	0.5812	6
Yen Bond Fund	JPY	25.48	ğ
Australia Fund	AUD	0.1323	3
Malayvia Fund	L'SD	0.1357)
South-East Asia Fund	USD	0.0011	4
Hong Kong & China Fund	USD	0.5846	5
European Balanced Fund	DEM	0.0098	ī
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Holvis defends its **BBA** agreement

Holvis, the non-woven fabrics and paper distribution group subject to a takeover battle vesterday revealed that last Wednesday it advised International Paper, one of the bidders, to raise its offer from SFr-435 per share to about SFr500, writes Ian Rodger. In a letter to shareholders,

Mr Dieter Gloor, Holvis chairman, yesterday urged them anew to tender their shares to BBA Group, the British industrial concern that offered SFr500 per share on Friday. BBA also obtained a "lock-up" agreement, providing that even if its bid was not successful, Holvis would sell

its non-wovens business to lt.

3

IP has raised its hid to SFr550, hut the bid is conditional on the lock up agree-ment being cancelled. IP has accused the Holvis board of not giving it a fair chance to put in a fresh bid and not seeking the best deal for shareholders. Mr Gloor said IP responded late with a SFr480 per share hid, forcing it to accept BBA's

terms. "Without the board's actions, shareholders would have been left with an IP offer of perhaps SFr435 and certainly less than SF1500."
The Swiss takeover panel heard the parties' views yesterday and may issue a judgment, which is not binding, on Mon-

awaiting court results

By James Buxton. Scottish Correspondent

Rodime, the disk drive pioneer whose business is the licensing of its 31: inch disk drive technology, sharply reduced its interim pre-tax loss. It is still awaiting the outcome of US patent litigation on which its future largely depends.

In the half year to March 31 it reported losses of \$1.99m, against \$S.3m. Operating income was only \$19,000 (\$153,000), reflecting the fact tbat no new licence agreements were signed. Adminis-trative and legal expenses feli from \$5m to \$1.07m, because most litigation was stalled.

Rodime is awaiting the result of its appeal against a court judgment of April 1994 when a Minnesota judge declared invalid certain claims in its principal disk drive patent in a suit with Quantum, the US disk drive maker. The appeal was heard last Novem-

If Rodime's appeal failed the scope of infringement by other disk drive makers would be materially reduced and with It the prospects of restoring shareholder value, the company said.

Losses per share came out at 1.S cents (3.7 cents).
The shares closed down 1p yesterday at 8p.

RESULTS

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FINANCIAL TIMES SURVEY

INTERNATIONAL CAPITAL MARKETS

Thursday June 1 1995

Investors search for better returns as outlook brightens

Mexico's financial crisis in December and turmoil in foreign exchange earlier this year undermined confidence in bond markets, equities and risk trading. However, the gloom has now begun to lift and there may be calmer waters ahead, says Richard Lapper

Prospects for the world's capital markets have begun to look much brighter in recent weeks. The rise in bond prices, led by US treasuries, has helped revitalise a market which at times this year seemed to be traumatised after the devaluation in Mexico, and ensuing turmoil in foreign exchange and in emerging

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Investors who have been sitting on their hands for much of the first quarter, with their assets parked in the safest of safe havens, are now beginning to worry about returns as bond yields fall, creating a more receptive environment for issuers of new debt and equity

. The theme of capital presei vation dominated the first quarter," says Michael Burke, senior economist with Citibank, "causing money to flood into the short end of the yield curve in the US and Germany. Now investors are looking for

In the second quarter "peo-ple feel more comfortable with the risks of these higher yielding markets", adds Mark Cliffe. chief international economist with HSBC Markets.

Although Mexico's devaluation in December might have been expected to have had purely local effects, damage from the crisis spilled over into world markets in a number of ways. The speed of its currency and financial crisis signalled the fragility of Mexico's recent economic progress. This crisis undermined investor confidence in other Latin American and emerging markets whose governments were following

cies of deregulation and liber- about raising fixed-rate funds. alisation.

The abrupt fall in asset values shocked many US investors who had never previously strayed outside the US, leading many mutual funds to retire funds from other Latin and emerging markets. More broadly, Mexico's difficultles served to reinforce the fears of investors about government deficits in general, with wor-ries focusing on developed economies such as Sweden and Italy, whose governments had built up heavy debts.

At the same time, the size of the Mexican ball-out package orchestrated by Washington reinforced concerns about the US's fiscal and external deficits, putting pressure on the dollar and aggravating instability on international currency markets.

The crisis came at the end of

As a result, the pace of activity in many sectors slowed in some quarters of the market. After a bright start in January 1995 - when issuers raised some \$45bn - new interna-tional issues slowed in Febru-ary and March, with syndicate managers finding it particu-larly tough to place deals for

emerging market issuers.

Overall issuance on the bond markets in the first quarter fell by 18.1 per cent to \$103.3bn, according to Euromoney Bondware. Issuance of international primary equities - whose growth in 1993 and early 1994 had been one of the most outstanding features of the capital markets - slumped with only \$6.2bn raised in the first three months of 1995 compared to \$14.6bn during the same period of the previous year.

Capital markets teams also

There are growing signs that US mutual funds which invest abroad have begun to channel money back to international markets in recent weeks

a bad year for global bond markets, following the sharp turn in monetary policy in the US in February 1994 and successive increases in short-term interest

Uncertainty about the speed of US economic growth, the level of US inflation and the direction of US interest rates, following six successive increases in short-term rates over the year, made matters worse, leaving investors worried about inflation and many broadly similar economic poli- potential borrowers unhappy

saw revenues squeezed in other areas. Business at international derivatives exchanges continued to rise at a brisk pace in the first quarter of 1995 (with turnover of futures and options contracts rising by 13

per cent on the last quarter of But in the over-the-counter market - where banks negotiate customised deals for commercial clients - competition has been tough, with few customers interested in the highly complex and more remunerative leveraged products which were popular in 1993 and early

The collapse in February of Barings Bank after sustaining losses of some £860m from trades on the Osaka and Singapore derivatives exchanges led many banks to review their approach to risks, with many operators placing tighter limits on the amount of risks traders are allowed to run. Other banks and securities houses have seen margins contract sharply, and staff numbers have been cut.

Since mid-March, however, the gloom has begun to lift. Eurobond managers have seen a pick-up in business since

Towards the end of May, Japanese securities houses successfully completed a giant yen bond issue - worth the equivalent of \$6.3bn and the biggest ever seen in the euromarkets for Italy.

On the same day, Brazil successfully returned to the euromarkets for the first time since the Latin American debt crisis in 1982, with an Y80bn issue, while a few days earlier, a \$1.5bn deal was launched for Canada, the biggest fixed-rate dollar issue since September

The pace of new equity issuance has also increased with US investors beginning to show renewed interest. There are growing signs that US mutual funds which invest abroad have begun to channel money back to international markets.

At the same time growth in syndicated loan business, which has been a feature of the markets over the past year,



has continued. Banks have successfully rebuilt their balance sheets and, flush with funds, are competing fiercely to lend to both sovereign and corporate borrowers and margins have fallen. The volume of syndicated loans reached \$140.1bn in the five months to May 26, according to figures from Euromoney Loanware.

Analysts agree that the rally in the bond market is helping sustain these developments. The immediate spur to the rally is the slowdown in the US

economy and downward revisions in growth and inflation forecasts, which have led many to argue that interest rates are now close to their peak and may even begin to fall.

The strength of both the D-Mark and the yen against the dollar have also indirectly contributed to the bond recovery, by reining in export growth in both Germany and Japan and thus weakening overall economic growth.

On this basis, the bond market recovery could be undone

IN THIS SURVEY

- C EUROBONDS: Big
- ☐ SYNDICATED LOANS: Banks braced for a busy
- US CORPORATE BONDS: Disappointing volume
- ☐ JAPAN: Haggling delays
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- SECURITISATION: European vision tades
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- Recovery has been muted D EMERGING MARKETS:
- Latin America leads the
- ☐ DERIVATIVES: Caution

The "debt hangover" which followed the financial deregulation and credit expansion of the 1970s and 1980s will be as big an influence in the capital markets in the 1990s as was the legacy of prolonged and persistent inflation in the 1980s, predicts Mr Hughes.

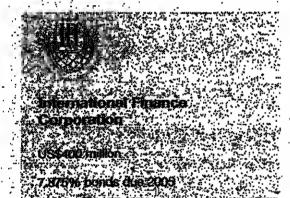
But, he says, fiscal policy has been tightened recently in a number of countries. He cited moves in the US to introduce legislation to balance the federal budget and the impact of tax increases in the UK and Germany. Recent budgets in Australia, Sweden and Canada and the pension reform plan unveiled in April by the Italian government have also been positive signs.

"The high yielders have begun to bite the bullet," says Mr Hughes. "They are going in the right direction.

If Mr Hughes is right the bond markets could prove to be stronger for longer than many expect, helping to generate stability in other areas of the capital markets.

After the upsets of the last 18 months, investment banks and securities bouses just might be heading for calmer waters.

BZW - A leading multi-currency Eurobond house



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Republic of Finland

9.375% bands due 2010

Développement :



Japan Development Bank

by a rise in US inflation or a

rise in the dollar and therefore

prove to be short-lived. How-

ever, some analysts suggest

there may be a firmer under-

pinning to the market's recent

Michael Hughes, head of eco-

nomics and strategy at BZW, says that markets have been

impressed by signs that an increasing number of govern-

ments are beginning to grapple

seriously with fiscal deficits

and - above all - growing

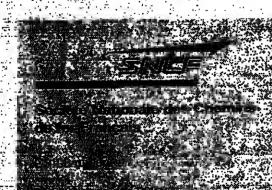
DSL Finance N.V.

10.25% bonds due 2000.

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Capital Markets pic

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7,125% bonds due 1998

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INVESTMENT BANKING. FROM

INTERNATIONAL CAPITAL MARKETS II

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EUROBONDS: the outlook is looking brighter, says Antonia Sharpe

Big borrowers test the water

After a tough first quarter, the outlook for the eurobond market is getting brighter. Investors appear to have rediscov-ared their appetite for fixed-income products and the big borrowers are testing the water once again.

This change in sectiment has been greeted with open arms by syndicate managers at eurobond houses because apart from a couple of busy weeks at the start of 1995 they have been twiddling their thumba for much of this year.

According to data supplied

by Euromoney Bondware, the value of new bond issues totalled \$103.3bn in the first three months of the year, a fall of some 18.1 per cent from the \$126.1bn of the same 1994 period. Activity was also lower than in 1993, when new issuance in the quarter amounted to \$115.2bn

The drop in issuance in the first quarter reflected the uncertain conditions in the bond markets and on the foreign exchanges where the dol-lar lost around one third of its value against the yen since the start of the year.

The market uncertainty encouraged investors to stick firmly to the sidelines which in turn made eurobond houses

bond issues for fear of being unabla to sell the bonds on quickly. The volatility in the bond markets meant that keep-ing the bonds on the bank's books was an expensive exer-

At the same time, the lack of arbitrage opportunities in tha swaps market made it difficult for many borrowers to achieve their funding targets by issuing public bond offerings. Borrowers can often get cheaper funding by swapping the pro-ceeds of a fixed-rate bond offering into floating-rate liabilities. It is believed many borrowers raised funds through privata placements in recent months but nevertheless some are believed to have fallen behind in their funding schedules.

The lack of supply in the primary market bas bad a knock-on effect in the secondary market. In recent weeks the margin or "spread" between the yields oo out standing eurobood issues and the yields on the underlying government bonds has narrowed considerably. The pricing of a eurobond is usually determined at a spread over

government bonds. The tighter apreads in the secondary market prompted

reluctant to underwrite large

423,386.12 62,187,94 1994 35,090.43 23,308,23 38,312,00 41,258.42 23,269.65 33 966 64 37,582.33 42,398,24 129,458.54 32,640.49 26,195.72 April ing Yankeen mit Samurak

Volume of international bonds

institutional investors, especially those with relatively high cash positions, to review their strategies. With the US treasury market also steaming ahead, they risked performing poorly against benchmark indi-cea if they rem-

ained on the fence too long. Evidence that investors were ready to start buying again and the tightening in yiald spreads prompted borrowers to start tapping tha market once again and the volume of new issuance after the first quarter

ing to Euromoney, volume to May 23 this year now stands at \$166.1bn, compared with \$179.5bn in the first five months of last year. The launch of two offerings

picked up as a result. Accord-

from Glaxo Wellcome, the new drug company formed by the £9bn takeover of Wellcome by Glaxo, also cheered the market because the deals, one in sterling and the other in dollars, bad been talked about for months. The sterling issue also went some way to satisfying

173.0 New issue volume I Total outstandings 70.a 33.9

0.5 20 52 6.8 1986 87 88 89 90 91 92 93 94 the D-Mark, It is estimated that Top 10 international bond houses - 1995* private deals worth bundreds

Euro-medium term note (EMTM) market growth

CS First Boston/Credit Suit 8.59 7.93 JP Morgan 4.27 3.97 Goldman Sachs 31 53 6.66 Nomura Securities Banque Parthes 5.77 ABN AMRO Hours Govett Total issues used in the table 1,022 100,00

UK fund managers' hunger for corporate bonds ahead of the launch of corporate bond Peps

' Up to May 23, 1906

Syndicate managers also detect a change of attitude among investors in the Far East, especially Japan. For a good year. Japanese investors have been unwilling to buy non-yen assets because they

did not want to be caught out by the inexorable rise of the yen. But signs that the yen is stabilising has prompted them to look again at bonds denominated in other currencies. The recent demand for dual-

Source: Euromoney Bondward

currency bonds bears this out. This instrument pays the principal in yen but the coupon in another currency, for example,

Data supplied by Lehm Brothers shows that a total of \$173bn was raised in the euro-MTN market in 1994, almost doubling the record le vel set in 1993. Outstanding bonds issued off MTN programmes reached \$292.5bn last year compared with \$146bn in 1993 and just \$53.3hn in 1992.

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More than 800 bond issues and global min programmes last year, representing 17 per cent of total bond issoance. In addition, 120 new euro and global MTN programmes were established, bringing the total number of issuers to 471 The fast rate of growth in

euro-MTNa means that the

market is now more than three times as big as the euro-com-The difficult conditions in the aurobond market have mercial paper and is virtually the same size as the US MTN market. This suggests that growth will start to level off prompted bond issuance off global and euro-medium term Lehman notes that the prinnote (MTN) programmes to slow this year. However, this area, which has shown explocinal trend in the euro MTN. market last year was the dra-matic growth of the yen sector, which reflected the risk-averse sive growth in recent years, is nature of Japanese investors during the rapid rise in the yen. The yen usurped the dol. borrowers are setting up euro-MTN programmes off which lar for the first time as the most popular currency, accounting for 35 per cent of new issue volume compared with 18 per cent in 1993.

The rapid rise in the yen sector was also due to the decision by the Japanese Ministry of Finance to abolish the 90 day seasoning requirement for euro-ven issued by supranational and sovereign issuers.

SYNDICATED LOANS: Martin Brice discusses the scramble for finance

#### Banks braced for a busy year

been beating a path to the door of syndicated loans teams. In many cases, while their colleagues in debt issuance have been bruised by a bear market in bonds and job losses, syndicate loans teams have been extremely busy. Figures from Euromoney

Corporate treasurers bave

Loanware show a 32 per cent increase in the total value of syndicated loans from the \$210bn of 1993 to \$278bn in 1994. The number of signed deals is up around 32 per cent. too, from 1,965 in 193 to 2,575 in 1994. Furthermore, 1995 is set to

be even busier. Euromoney figures show a total of 604 deals in the first four months of this year, worth a total of \$123.5bil

The reason for the rise in fixed-income liabilities into tha arms of the banks, which have fought aggressively for market sbare as they wield their newly-rehuilt balance sbeets in the battle for assets. As banks have competed for assets, so margins for borrow-

First Bangkok City Bank

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Public Company Limited

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Floating Rate Notes due 1979

August 1994

ers have tumbled, by up to 50 per cent during 1994.

The fall in pricing and the rise in volumes bas been charted by the Bank for International Settlements, in its quarterly report on financial market trends, published in February, Its figures show a fall in the amount of fixed-rate bonds issued and a rise in syndicated loans. The BIS said this was due to the "unsettled ioterest rate environment. which with the enstomised nature of credits and the reduction in lending spreads led many borrowers to prefer bank loans ... over bond issu-

have been sovereign borrowers, which are an attractive asset class for banks anxious syndleated loans is simple: to lend because their credits bond market volatility has are zero-weighted, which means banks need not put aside capital against them. basis points over the London interbank offered rate (Libor),

Portugal raised DM3bn at 7.75 basis points over Libor, and Spain raised Ecu6bn at 8.75

over Libor. (A basis point is

USD50,000,000

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Public Company Limited

USD120,000,000

Our 1999

First Bangkok City Bank Public Company Limited

USD250,000,000

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Global reach

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have originated and arranged more than 40 facilities

well in excess of USD 2 billion in 1994

Sweden raised \$6bn at just 8

one hundredth of a percentage it already bas \$15bn in

The benefits to sovereign borrowers from the unique coincidence of factors is best illustrated by the Ecu5bn loan to Italy, It will use the money to pay for maturing Italian government bonds denominated in ecu, known as Certificati del Tesoro. These were anctioned in January at a fixed rate of around 100 basis points over Libor. The Ecu5bn loan will cost the Italian treasury just 8 over Libor. Furthermore, not only is the loan cheaper than the honds it replaces, but hy reducing the size of the CTE market, the Italian treasury has sean spreads on the remaining outstanding CTEs tighten by 5 basis points in the week after

the loan was announced. Canada achieved probably the finest pricing seen so far rower when it raised \$6bn at just 4 hasis poiots for the undrawn part of the loan and 6% basis points on the drawn part of the loan.However, the loan 15 unlikely to be used since it is to bolster Canada's foreign currency reserves and

with Aval of PT Bank Pacific

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ngon Santing Rate Notes due 1999

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The enthusiasm of banks for lending to sovereigns has seen Ireland abandon the traditional syndication risk on its recent \$750m seven-year deal. It is leading the deal itself, with Citibank taking a co-or-The zero-weighting of loans

to sovereigns has added to banks' enthusiasm for lending to them, but UK huilding societies have also benefited, since loans to them are 20 per cent weighted and they are seen as a good credit risk by international banks, Ironically, UK building societies are seeing very little demand for their main business, which is consumer loans on residential properties, yet they have become significant users of syndicated loans as they have moved to refinance existing

A landmark deal was the higgest loan in UK corporate history - the £8.1hn deal raised by Glaxo in total secrecy to fund its hid for Wellcome, its fellow UK drugs

Thai-Hong Kong Real Estate Limited

USD50,000,000

March 1994

Takefuji Corporation

USD100.000.000

Public Company Ltd.

USD70,000,000

Ten hanks were paid 20

| Volume of international loans |              |                  |  |  |  |
|-------------------------------|--------------|------------------|--|--|--|
| Month                         | Amount (Sbn) | Number           |  |  |  |
| 1994                          |              |                  |  |  |  |
| January                       | 13.9         | 179              |  |  |  |
| February                      | 13.7         | 170              |  |  |  |
| March                         | 20.3         | 268              |  |  |  |
| April                         | 24.0         | 195              |  |  |  |
| May                           | 19.6         | 179              |  |  |  |
| June                          | 22.9         | 228              |  |  |  |
| July                          | 23.1         | 247              |  |  |  |
| August                        | 28.4         | 219              |  |  |  |
| September                     | 33.8         | 230              |  |  |  |
| October                       | 13.2         | 152              |  |  |  |
| November                      | 22.3         | 197              |  |  |  |
| December                      | 40.3         | 271              |  |  |  |
| Month unknown                 | 3.0          | 40               |  |  |  |
| Total 1994                    | 278.5        | 2,578            |  |  |  |
| 1995                          |              |                  |  |  |  |
| Januery                       | 46.3         | 138              |  |  |  |
| February                      | 16.4         | 143              |  |  |  |
| March                         | 34,5         | 216              |  |  |  |
| April                         | 26.3         | 107              |  |  |  |
| Total 1995                    | 123.5        | 604              |  |  |  |
| Total 1994-1995               | 402.0        | 3,179            |  |  |  |
|                               | Source: Eu   | omoney Logranyre |  |  |  |

basis points over Libor in a series of one-off bilaterals, and the company is now issuing been global, some bankers do not believe margins will fall eurobonds to replace the loan. Some bankers pointed to a further.

deal for East Midlands Electricity late last year as a sign that the bottom had heen reached io pricing when Chemical Bank seemed to take rather longer than usual in arranging a £350m five-year loan. One banker said at the time: "This may be a deal too far." However, in the event,

the deal was oversubscribed. While this fall in pricing has

Chris Vermont, director. international merchant banking at ANZ Grindlays Bank in London, said: "I can't see pricing coming down much more than at the moment. We have not seen any failed syndications but we have seen some which are quite tough to com-

#### Top 10 international loan arrangers 1994\* Amount (\$bn) Nuraber NatWest Market Citicorp 4 Barclays Bank 5 ABN-Amro A Chase Manhattar HSBC Mark 8 J.P. Morgan 10 CSFB/Credit Suisse Signed loans only

"You will always get resistance from certain banks when you reduce pricing. In India we have seen lots of banks fall out of the picture (in syndicated lending). But others come in.

1983

sold into Japan recently.

of billions of yen have been

likely to continue to be one of

the fastest-growing areas of the

they issue their bonds because

the documentation umbralla

provided by the programmes

enables them to access the

market quickly and efficiently.

This means they can move

fleeting funding opportunity

presents itself either in the

public or private market.

An increasing number of

debt capital markets.

India is one market that has seen increased investor interest as a result of the troubles in Mexico. Mr Vermont said: The Mexican effect has driven investors and lenders to look at a few emerging markets where they feel they are

The price of a loan in India for a prime financial institution might be around 25 over Libor for np to five years. around 60 over for up five to seven years and around 80

over for a seven-year deal. Margins to borrowers in eastern Europe have also fallen. They narrowed sharply in January with a deal for SPT Telecom, the Czech telecommunications company, which

availability of funds in the lon-

ger maturities. In 1994, 41 per

cent of Yankee honds had

maturities of between 6 and 10

years, which compares with

only 27 per cent of eurobonds.

Borrowers have little difficulty

in getting maturities of more

than 20 years in the Yankee

bad a spread of 35 basis points over Libor.

CEZ, the Czecb electricity utility recently launched a \$75m three-year deal at 25 over Libor. A recent one-year loan to Romania was heavily over-subscribed and increased

from \$75m to \$150m. While the fall in pricing has been global, partly reflecting the mature nature of the market for international credits, it seems unlikely that pricing will decline from current low

In the ever-changing world of international finance, only one thing is certain: if margins fall much further, banks will start to pay borrowers to take out loans.



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#### US CORPORATE BONDS: Antonia Sharpe reports

#### Disappointing volume

used the bull market of 1993 to refinance a large proportion of their bank debt in the bond market, thereby extending the maturity of their debt and securing historically low interest

In 1993, the new issue volume of US corporate bonds jumped to more than \$400bn from \$294bn the previous year. But volume dropped to \$377bn in 1994 and has bean disappointing this year because corporates had pre-funded their needs in 1993.

The drop in bond issuance by US corporates bas meant that many US insti-

tutional investors, uncomfortable with their high cash positions and tha short duration of their portfolios, bave been unable to achieve a more balanced port-

Earlier this year, it was estimated that US investors had between 35 and 40 per cent of their fixed income funds in government securities, double the normal allocation of about 20 per cent. The lack of supply in the corporate bond market has also led to a considerable tightening of spreads on corpo-rate bonds over the yields on underlying US Treasuries. This means that potential borrowers can achieve lower costs of

Although US corporate borrowers are quiet, an increasing number of European borrowers are going to the US for funding. They can tap the enormous pool of US domestic mous pool of US domestic investors by issuing bonds in the Yankee bond market, the US domestic market for foreign borrowers.

In recent years, the US Securities and Exchange Commis-sico (SEC) has encouraged foreigners to raise financing in the US by making the issuance procedure less complicated.

provision, for example, has enabled foreign borrowers opting for a private placement to reach a broad range of institutional investors and therefore

get better pricing. Although registering with the SEC takes time and involves converting accounts to US GAAP, many European companies have found that the process was not as painful as they had expected. Once they have filed a shelf registration with the SEC, tapping the US bond market is

quite easy. An increasing number of Judging by European borrowers are the large num going to the US for ber of European govern ments, banks

funding

which now tap the Yankee bond market, the SEC's efforts have paid off. Although the fees on a Yankee bond are higher than those on a tradi-tional eurobond, this has not hindered foreigners from tapping this market. indeed, for European compa-

nies, especially those with credit ratings of single A or below, the Yankee bond market is virtually the only source of large-scale and long-dated financing. The conservative nature of eurobond investor means that corporates with inferior ratings have difficulty in issuing eurobonds with a maturity of more than five

By contrast, US investors securities of foreign borrowers and have become very skilled in analysing and putting a price on credit ratings. According to JP Morgan, only 16 per cent of issuers in the Yankee bond market have a triple-A rating; 31 per cent hava a dou-ble-A rating, 18 per ceot a single-A rating: 17 per cent bave a triple-B rating and 18 per ceot have ratings of double-B or

At the same time, the US

bond market whereas it is virtually impossible in the eurobond market. The Yankee hond market allows borrowera to incorporate call or put options on their deals which again is difficult in the eurobond mar-A recent 40-year bond offerg by Grand Metropolitan, the UK consumer group which has Continued on next page

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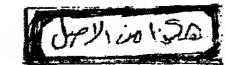
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#### INTERNATIONAL CAPITAL MARKETS III

rolonged haggling over a settlement system for Japan's corporate bond market is causing anxiety among its participants.

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Long famous for its myriad of regulations, the ministry of imance has tried to improve the market's affractiveness for ever, the archaic role of banks in the corporate bond market and the lack of a settlement system in line with those such as Euroclear or Cedel have been the main reasons for a subdued market.

The inefficient domestic market has contributed to the mas-sive shift of financing to the Eurobond market. Although most issuers and investors have been Japanese, high costs, tedious procedures and the lack of trading and arbi-trage opportunities due to a fledgling secondary market has driven financing overseas.

· While domestic issuance has shown signs of increasing fol-

the ministry of finance over investors. Hence a trade is not the past few years, the secondlegally completed until the market has remained virtunew owner of the bond is regisally non-existent. Turnover in tered with the bank. "Many 1993 totalled Y13,101bn, only corporate bond transactions 62.6 per cent of the total outwill take about one month to standing, a sharp contrast to complete," says Shuji Yonethe Japanese government bond market. Trading in long-term government bonds, for instance, was 6.8 times that of hana at Nomura Securities.

Talks between brokers, banks and the ministry of finance over a central settlement system broke down last March after intense debate. The securities houses want the registration law abolished and the creation of a system similar to that of Euroclear and run by an independent organisation. However, banks, which receive a fee for accepting the registrations, are against removing the registration law. Industrial Bank of Japan, where 70 per cent of the bonds are registered, has suggested that the law be amended slightly rether than abolished altogether, and that it would pay some of the costs if it could run a central system. Masao Kaito, executive director at Morgan Stanley Japan, believes that having one institution taking on such a risk would be unacceptable. Issuance costs have also

been propped up by the legacy of the pre-war role of banks. Before the second world war. IBJ was the dominant bond underwriter, and as a concession to the post-war ban of the hanks' involvement on bond

finance required hanks to adopt a trusteeship role. Officially called the "commission bank system", banks managed the issuers' collateral on behalf of the bondholders, in effect acting as insurance agents. Until the amendment of the commercial code in October 1993, banks were also involved which raised the issuer's cost.

in determining issuance conditions, and even for uncollaterlised issues, banks were required as "bond trustees" and received commissions Since 1993, the banks have been limited to an administrative role in managing collateral and paying oot interest to bondholders. This has led to a Yen bond issuances Domestic Public organisa Municipal government Electricity and gas utility bonds 5.6% Non-residents (samural) 5.9%

slight fall in issuance costs. Nomura says current domestic bond issuance costs are roughly three times that of the Eurobond market as opposed to four times prior to 1993. Meanwhile, other regulations which have stunted the market have slowly been removed. One change has been the elimination of the eligibility rule for

bond issuers. In April 1993, the

lowest credit rating of compa nies eligible to issue unsecured bonds was lowered from A to triple-B allowing some 300 companies to issue uncollateralised bonds in addition to the 500 approved in the past.

Restrictions on products were also lifted, with companies allowed to issue five-year straight bonds, which had attracted resistance from

\* excluding funds

January for sovereign issuers. The developments in the bond market, however, have been in response to the slump on the Tokyo stock market and have not necessarily represented a genuine desire among financial authorities to deregulate its markets. "Even with the reforms in place, it may take years to generate sufficient liquidity," says Benn Steil, senior research fellow at the Royal Institute of International Affairs. The inexperience of domestic brokers in market-making has been questioned, and the traditional "bny and hold" policy of domestic investors, have been

banks which issue five-year

bank debentures. Other prod-

ucts, including dual currency

bonds and floating rate notes, were also approved, and the 90-

day rule which limits resale of

overseas yen bonds to Japa-

nese residents for 90 days after

issuance, was removed last

overnments and compa-nies wishing to raise money on the international equity markets in 1995 are likely to find it more challenging than In recent years. For although the last few weeks have seen a pick-up in primary activity, the sheer weight of supply from public and private-sector issuers is likely to weigh on prices and threaten the markets with congestion. This means that some of the larger issues may have to be put off until 1996.

"It will remain a fairly fragile environment," predicts Mike Young, director of European investment strategy at Merrill Lynch in London. "Privatisation issues could start bumping into each other in the rush to get them out in the second half of this year, and some could be pushed into 1996." Moreover, while rallies in the underlying markets may fuel more issuance, that very increase in supply will keep their upside limited, he

In Europe, the market for new international equities got INTERNATIONAL EQUITY OFFERINGS: Conner Middelmann reports

JAPAN: Emiko Terazono discusses the problems in the bond market

Haggling delays deregulation

#### Fragile environment for issues

depressed by currency turbulence, falling stock markets, political uncertainties (such as the French elections and Italian coalition wranglings), and disgruntled investors sitting

the outstanding amount during

The illiquid turnover is

mainly due to a settlement sys-

tem governed by e pre-war law which requires bonds to be

"registrated" with banks fol-

lowing trades. The rule which

originates from a period when many companies defaulted on

the same year.

In the emerging markets of Asia and Latin America primary activity all but ground to a halt following the Mexican peso crisis last December. The contrast to last year's record levels of issuance is stark. In 1994, there were some \$57.8bn of new equities, compared with \$9.9bn in the year to mid-May, according to Euromoney Bondware. The first four months of this year have seen some 73 equity worth \$9.4bn, compared with 144 offerings worth \$20.3bn during the same

However, the primary equity sector in recent weeks has witnessed a considerable improveat in sentiment, and investment bankers are beginning to chip away at the backlog which formed in the first months of this year.

Underpinning sentiment in the primary market has been recent strong performance of stock markets in Europe and the US, which have been bolstered hy growing hopes of continued slow, low-inflationary economic growth and the dollar's gradual recovery. Moreover, emerging bond and equity markets have been experiencing a revival, reflecting investors' willingness to test the water again. US investors, whose hunger for international securities was one of the driving forces behind the issuance boom of

increasing their exposure to international markets after first four months. According to AMG Data Ser-

vices, a California-based comeny which monitors mutual fund flows, inflows into US mutual funds investing internationally bave risen to beginning of April. While that's still far from the \$1hn a week recorded at the end of 1993, it is np substantially from virtually flat levels at the beginning of 1995 after the emerging-market upheaval.

"The strong rise in the US stock market has made US investors nervous about how much higher prices can go there," says Merrill's Mr Young. Moreover, the US rally makes many comparable European stocks look cheap, espe cially in sectors like oil and pharmaceuticals, be says.

"A lot of people seem to be saying: we've had the correction, we've seen an uptick -

maybe it's time to average in. he says. That trend is being further underpinned by the long-term commitment of many US institutions to diversify their non-US exposure.

Another factor underpinning the primary equities sector is supply. "Primary market cooditions have improved markediy - partly because we didn't have much supply in the first four months," says Jerker Johansson, head of equity capital markets at Morgan Stanley in London.

Moreover, "we find that investors have relatively high levels of liquidity and that recent strong market performance is putting pressure on them to put that cash to work," he says. New equity offerings lend

themselves well to this type of re-entry, he says, because with a new issue, investors have a unique opportunity to build up core positious without being restricted by secondary market liquidity. Let's hope that the investor

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Volume of international equity issues\*

enthusiasm lasts, as the newissue calendar is bursting with stock yet to be sold. On the privatisation front

alone, "there is undonbtedly an enormons pipeline when you look at all the governments' wish lists," says James Sassoon, head of the global privatisation group at SG Warburg, who expects to see np to \$15bn per quarter in poblic privatisation offerings over

the next four to five quarters. The OECD recently forecast that proceeds from privatisations in Europe would total some \$40.5bo in 1995, compared with \$50.8bn in 1994. with the largest offerings expected in France (\$9.9hn). the UK (\$8.5bn) and Italy

(\$6.5bn). These levels will be exceeded in 1996, partly as a result of the partial privatisation of Deutsche Telekom (expected to total DM15bn).

Telecommunications companies are expected to be partic ularly heavy issuers - Morgan Stanley estimates they will make up some 40 per cent of new issues this year.

In Europe, the estimated \$950m partial privatisation of Portugal Telecom is next, but close on its heels come KPN of the Netherlands (about \$4bn) and Spain's Telefonica (about \$1.2bn); Italy's Stet with an estimated \$6-8bn sale; the long-awaited offering for Turkev's telecommunnications operator; as well as new shares in Hungary's Matav (about \$1bn) and Israel's state telecommunications company Bezeq (some \$650m).

cited as impediments.

In Asia, Indonesia's PT Telkom plans to raise up to \$3bn later this year - expected to be the largest Asian equity offering this year - and in India the estimated \$500m to \$1hn offering for the country's international telephone monopoly Videsh Sanchar Nigam – delayed last year – still looms.

Overall international equity - public and private could total some \$120bn in the next 21/2 years, the bulk of which will be accounted for by privatisation sales, estimates Ludovico del Balzo, head of equity capital markets at Lebman Brothers in London. "Indging by current conditions, that will be feasible, but we will have to marshall all the institutional fund flows around the world," be says.

Given issuers' fierce competition for capital, they will have to woo investors with attractive pricing, many say.

"Those issners willing to offer realistic pricing levels will be successful," says Mr del Balzo. "The market is beginning to be more efficient, but it is still a discriminating

#### SECURITISATION: Tracy Corrigan reports

#### **European vision fades**

The vision of a pan-European market in asset-backed securi-ties, on the same scale as the US mortgage-backed and asset-backed markets, has faded. instead, the market has evolved into a niche financing the market has developed and sector, with deals structured to become more efficient, so those

-Securitisation allows an issuer to take assets off its balance sheet by repackaging them as bonds which are then sold to investors. The cash is used to pay interest to inves-

In the late institutions drafted in sizeable teams from the US or set up new units to deal with the expected boom in 1998 securitisation. At least half of these have now been dis-

been several 0 25 creation of a European

main hindrance is the lack of large homogeneous pools of ets. The largest sector is the UK mortgage-backed securities market Securitisation was used to finance the entrance of new mortgage-lenders to the expanding UK housing market of the 1960s, and rose rapidly to more than £10bm. But the col-lapse of the housing market caused the origination of new mortgages to dry up after 1988, and the pool of assets for

In the market's early days. cost was often prohibitive. Some financial institutions found the costs of gathering information on assets on computer systems were high. Legal fees alone on one early deal amounted to £2m. The level of cess of attracting new invescosts required to bring a trans- tors by giving more informa-

action to market were significant and created an entry barrier for would-be issuers," said Mark Lewis, a director of UBS's European asset-backed finance group. "However, as the market has developed and suit particular issuers' and costs have fallen very signifi-

While intermediaries have been unsuccessful in bringing a steady stream of borrowers with suitable assets to the marflow on the underlying assets ket, they have managed to

cantly, enticing issuers back to the market place."

expand the original base of Mr Van Deventer. The level of investors. In the early days of over-collateralisation, some-1980s, financial Asset-backed securities (assets by country) France S Spain 中 中 中 中 中 中

securitisation market. The the market, the main buyers of asset-backed paper were banks, whose expertise allowed them to assess the underlying assets

> The market was concentrated in the hands of a very small group of investors. Indeed one investor, Abbey National, virtually controlled the mortgage-backed securities market. But a widening of spreads relative to Libor at the end of the 19880s attracted a broader -range of Investors. including corporates and mainstream fund managers. "There is now a deep and varied investor universe," according to John Van Deventer, head of European securitisation at Goldman Sachs.

Issuers have helped the pro-

with reasonable confidence.

many issuers now give regular nodates to investors on the performance of the underlying assets, sncb as mortgages, which are acting as collateral. Furthermore, the fact that mortgage-backed securities came through a grim bousing recession intact has given considerable comfort to investors

"The spreads on subordinated tranches became very wide during the housing recession, but the paper has held up

times called into goestion days, has been shown to give adequate protection adverse cir-

Still, some sectors, which were expected to take off. remain stubbornly quiet. to be a credit card-backed issue in the

bscause of the Bank of England's rather negative view of such issues. Several credit card operators based overseas are considering deals backed unlikely to boom.

Other sectors have become more lively, due to specific circumstances. French institutions have been relatively active, spurred by the need to get some of their weak assets off their balance sheets. As a result there are deals in the works backed by consumer loans, commercial property and residential mortgages. Given the problems of its banking sector, the French market is likely to prove fertile terri-tory for some time to come. The restructuring of the Swedish banking industry sparked a similar sport of activity, which has since abated. Other French companies may also have recourse to the market.

trade receivables and leases.

ing paper has caused spreads to tighten which means that issuers of junk bonds can get

man Brothers.

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#### Disappointing volume

Continued from page 2

a large US presence, is a good example of how the Yankee bond market can allow treasurers to manage their balance eets efficiently. The bonds have a put option

at 10 years which holders can exercise if Treasury yields have risen above the yield on the bonds. However, if the bonds are not put, then Grand-Met is able to call a preferred stock offering which is callable from November 2004: This structure has provided Grand-Met with a simple but effective interest rate hedge. Meanwhile, the rise in US finer pricing.

treasuries has prompted a revival in the US junk bond market as mutual funds seek paper with a higher yield. A fall in the default rate has also revived interest in this market. Issuers of junk bonds have credit ratings of below triple-B

or speculative grade ratings. Officials at Merrill Lynch in New York said that issuance of junk bonds had topped \$10bn so far this year and that a further \$3.5hm to \$4bm was in the The demand for high-yield-

In recent years, there has been a proliferation of "conduit" programmes arranged by banks, which channel through assets, which are then used to back commercial paper and medium-term notes. These structures are particularly useful in allowing corporates to finance fairly small amounts of

A lot of deals are now completed outside the public market. The public capital market is not always price competitive with either direct bank lending or the private market, so more business is being channelled through private placements," said Jim French, head of international securitisation at Leh-



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NA PRIROTE 33. 144 07 PRABA (. CZBCR 9EPUBLIC TEL.: ++42 (2) 2402 1111 PAR: ++42 (2) 2424 3920, ++42 (2) 2424 3865 TELER: (2) 831 SWIFT: KOMB CZ PP 35 Modreate London ECIR 6BT · Tel.: (971) 5887 125 Westerostrarz 21. 60325 Frahrever am Mair Tel.: 069 - 74 99 70 Faz: 069 - 74 09 90 year, led by a rejuvenated US Treasury market.
The trigger has been economic data pointing to a more severe slowdown in the US

economy than had been anticipated at the turn of the year. This has led to a downwards

revision in both growth and and the increasingly widespread belief that US interest rates - the key federal funds rate is 6.0 per cent - are now close to their peak in the current economic cycle and may even begin to fall soon.

There are signs that many cash-rich investors have begun to return to the government bond markets after remaining on the sidelines after last year's terrible bear market.

"This rally is fuelled by real money coming into the market," says Garry Jones, head of Capital Markets in London, "It GOVERNMENT BONDS: Graham Bowley discusses the market outlook us 10-year treasury bonds

#### Recovery has been muted

is not a speculative rally." He expects the rally to continue, although by no means in e

As markets have strengthened on the back of the unexpectedly good news about US interest rates, bond yields have fallen. In the US, the 10-year benchmark government bond yield has broken below the key 7 per cent level to around 6.6 per cent currently, compared with 7.8 per cent at the beginning of the year and more than 1.4 percentage points lower

than last year's peak. The US yield curve flattened during the first quarter of the year, reflecting e fall in long-term bond yields as investors became less concerned about inflationary pressures. in the second quarter, the

curve has steepened again,

yields as fears of an early interest rate rise have waned In Germany, the benchmark 10-year bond yield broke

through 7 per cent this month to 6.8 per cent currently, more than 0.9 percentage points below last year's peak. The recovery in the US and throughout Europe has come despite periods of severe strain and great volatility. The aftermath of the Mexican peso crisis in the first few months of

1995 and the general sell-off this provoked throughout the

world's so-called emerging

voked by the Mexican crisis

the further weakening of the dollar as it continued its fall markets sent shudders through US Treasuries and other markets as western countries led against the yen, was a theme by the US attempted a rescue. which dominated financial markets during the first part of Investor concern over rising this year. It is partly due to a more stable US dollar in recent levels of indebtedness pro-

was transferred to the so-called peripheral, highly indebted market has enjoyed a resurgence in its fortunes. countries of Europe. Investors The currency volatility. piled into the safe haven of the core German market, in a "flight to quality" away from

which saw the D-Mark and the yen appreciate sharply against most other currencies, with the Italian lira, French franc and sterling among the main casualties, once again sent nervous investors piling into the core

The Italian government bond market was dogged by its own domestic political problems and uncertainties surrounding the Italian authorities' attempts to push through crucial pension reforms aimed at improving the country's public ances. Since an agreement on the reforms was reached early this month, the Italian market has recovered signifi-cantly - with the yield spread

over bunds, which ballooned to more than 600 basis points ear-

lier this year, narrowing to around 524 basis points. Political uncertainties prior to the recent presidential elec-tions were also a significant influence on the French government bond market. The yield spread over German gov ernment bonds, which had wid-

ened during 1994, rose as high

as 87 basis points in March.

Since Jecques Chirac's victory.

however, the market has recovered substantially, with the spread over bunds narrowing to around 60 basis points.

In Germany, the strength of the D-Mark and subdued monetary growth outweighed fears of growing inflationary pressures arising from the annual wage round, leading to a flattening of the yield curve in the first quarter of the year. However, the Bundesbank

surprised most market com-

borrowed \$100m via a two-year

the yen has strengthened.
The foreign currency mar. kets are likely to continue to kets will fare over the comi months. In particular, the tide of investment flows into Japan may turn if the dollar continnes to stabilise against the yen. How the US Treasury market fares will in turn determine how European government bond markets perform.

mentators by cutting interest

rates at the end of March and

since then the curve has steen ened as weaker economic data

has fuelled hopes of a further

The Japanese bond market

has rallied strongly throughout this year - in US dollar farms Japanese government bands

have registered a startling 29

per cent total return so far this

year. It has been boosted by

speculation that interest rates

might be eased as a response

to the weakness of the Japa

nese equity market and to the

appreciation of the yen, and by

continued repatriation of

cut in interest rates.

EMERGING MARKET DEBT: Graham Bowley reports

#### atins lead the way

triggered by the devaluation of the Mexican peso in December last year, sparked a widespread crash in emerging market debt across the globe. Since March, bowever, the emerging debt markets have staged an

equally dramatic recovery. "Most assets are now close to their eve of crisis levels," says Paul Luke, head of emerging market research at Morgan

According to the JP Morgan index of emerging market debt, total returns fell by about 30 per cent between December 1994 and early March. Since

ered and towards the end of May stood just 2 per cent below their December peak. The catalyst has been the

number of developing countries, principally Mexico and Argentina, coupled with an improvement in the US Treasury bond market. Mexico's gross domestic product has been hit less than initially feared, despite the austerity package implemented by the Mexican government after the crisis. Worries that the corporate sector would buckle under the weight of funding debt at the current high interest rates

President Carlos Menem's victory in the Argentine elections last month has also provided a boost to Latin America, suggesting that the tough economic medicine that has already begun to be applied to the Argentine economy will Mexico's troubles would pass to Argentina, a country with similar problems, particularly a heavy reliance on external finance, has receded as Argen-

continued. Investors, attracted by the high yields and the huge potential for capital gain, have returned to the market. In its

tina's good trade performance

initial stages the recovery was driven mainly by purely speculative huying. But now longerterm investors - in particular US pension funds - are returning in force. Hedge funds are also beginning to buy paper again. US mutual funds, on the other hand, which were large buyers of emerging market debt in 1993 and 1994, but which were badly burnt, remain wary.

large debtor countries such as

Italy, Spain and Sweden, which

saw a sharp rise in their bond

yields relative to German

This move away from the peripheral markets wes reinforced by extreme volatil-

ity on the foreign currency exchanges. This volatility,

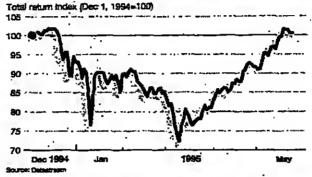
caused by uncertainty follow-

ing the Mexican crisis and hy

yields as a result.

The rise in US interest rates last year was blamed by many for causing the recent prob-lems, as US investors retreated to the safety of bank deposits. But as US Treasury yields have begun to decline on signs that

Secondary market performance of Brady bonds



the US economy is slowing and interest rates may even start to fall soon, investors are putting their heads back above the parapet to take advantage of the high yields on offer in the emerging markets.

"The ettraction of the emerg-

ing markets is clear," explains Mark Franklin, head of European emerging market debt at Salomon Brothers in London, They are the only truly high yielding market remaining in

The borrowers have also returned. Activity among emerging market issuers virtually disappeared in the darkest days of the crisis. But now as investor demand bas driven yield spreads down close to pre-crisis levels, issuers, too, have arrived on the scene - led by those in Latin America

Banco Bradesco, Brazil's largest private bank, recently

eurobond on which it paid a yield spread of 375 basis points over US Tresury bonds. This compares favourably with a similar bond launched in January 1994 on which it paid a spread of 325 basis points at launch. Brazil itself tapped the eurobond market late last month with a Y50bn samurai bond, the first yen deal for the country in 16 years. Poland - which is leading

the rally among the eastern European emerging markets - is also expected to issue its first eurobond early this month. Moody's and Standard & Poor's, the US credit rating agencies, are expected to award Poland its first credit rating soon, and the yield spreads om Polish par bonds have already parrowed in anticipation - from 900 basis points in March to 400 basis

points at the end of May. Russian debt. hit by the Mexican crisis and by its own domestic problems, has also participated in the rally. Vnesheconombank bank loans loans to the former Bank for Foreign Economic Affairs of the USSR - which traded as low as 17 cents to the dollar

recovered to 26 cents towards

the end of last mouth and look set to rise further as inflation continues to fail: Inflation, 18 per cent in January, fell to 8.5 per cent in April, and treasury bill yields have fallen in tandem Last month the governmant announced ambitious plans to expand the treasury hill market, with a range of new longer-term instruments. including gold-backed bonds.

But although the raily has been widespread across most emerging markets, a distinction must nevertheless be made between sovereign and private sector borrowers. For although yield spreads on sovereign issues have narrowed sharply, the yield spreads faced by many corporate borrowers are still extremely high as these private sector issuers struggle to shrug off their

The market has ebbed and flowed and left some in the sovereign sector higher and some lower but has generally left the private sector with much higher spreads than pre-

viously," said Mr Luke. The recovery has been startling, but it is by no means guaranteed that emerging markets can resume their previous





N M ROTHSCHILD

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Global Strength in Equity Capital Markets in 1994

Europe



**GBL** Groupe Bruxelles Lambert S.A. 7,58,340 shares with WALLEDIS BFr 3,488,364,000 Joint Lead Manager

Ö Chrispian Dalloz 94,125 shares FFr 65,887,500 Joint Lead Manager



Société Centrale Union des Assurances de Paris 105.126.520 Shares FFr 14,501,941,846 Co-Lead Manager



Société Nacionale Elf Aquitaine 60,377,326 shares FFr 23,636,515,576

IRELLI

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5% Convertible Bonds

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MOULINEX SA Moulinex SA ILIGS,OIG shares

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Companhia Energética de Minas Gerais 5,000,000 ADSs US\$120,000,000 Co-Lead Manager

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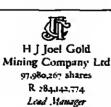
Latin America

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South Africa

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Asia Pacific



FLEXTECH Flextech Holdings Limited S\$9,990,000

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U\$\$89,249,981 Co-Lead Manager Garden Silk Mills Ltd

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Garden US\$44,991,160









Lo-Lead Manager

#### Turnover of futures and options traded on international exchanges (Number of contracts in millions) 1995 Instruments 1994 **FUTURES** All markets Interest rate Currency Equity Index OPTIONS All markets Interest rate Currenc Equity index

**DERIVATIVES: Richard Lapper reports** 

#### Caution prevails

The banks and securities houses which earn their living from selling derivatives have the popularity of the simplest futures and options contracts traded on exchanges is increasing and against some expectations the market is continuing

The collapse in February of Barings Bank as a result of derivetives losses, followed a number of highly-publicised corporate losses in 1994. Events elsewhere in the financial markets, including the Mexican devaluation in December and the subsequent collapse of confidence in the emerging markets, have conspired to warn investors away from all but the safest havens

"The market has been very difficult," says George James, managing director at Morgan Stanley in London. "Every board of directors and investment committee is wary about involvement in derivatives. People are concerned that decisions could be questioned after the fact, regardless of circum-

Many corporate buyers of OTC derivatives are still running scared, following the losses suffered in 1993 and 1994 by the likes of Procter & Gamble, the US food group, and Metallgesellschaft, the German engineering company. The losses incurred from leveraged derivatives have "clearly caused a rethink", and a wide range of the investment community has had to re-examine their portfolios, says another

Traders say that declining profit margins - and some losses for a few banks - on derivatives-related activities, have led many managers to tighten the reins on traders. Many dealers have been subject to stricter limits in relation to the amount of exposure they are allowed to take on their books. "f think events have simply heightened the awareness of risk management within every institution - they

the products make sense for what they want to do," says the fixed income manager at one US investment bank. "The rational response to

last year's losses has been to reduce risk limits a little bit," he adds. Traders involved in more peripheral markets - Italian rather than German or US Treasury bonds, for example bave suffered most, correspondingly reducing their needs to enter the futures market to hedge positions. "I tend to see people focusing on their core markets and retrenching into the things they do well." John McCormick, a senior vice-president at Bank of America in London, says many banks or firms that would have looked at entering the market

will have delayed. "Those that are already there are certainly taking e closer look." edge funds are now less active than they were in 1993 and early 1994. Many of the fixed income specialist funds lost money and deleveraged, so the positions they took through derivatives

are gone from the market," says Mr James. These forces have contributed to slower growth and even a decline in some sectors of the market. In particular, demand for more complex over-the-counter products has

In a recent survey of the US debt markets, Swaps Monitor, the industry newsletter, found only a tiny percentage of paper issued during April this year involved complex structured features. "Complex structures were totally absent," comments Swaps Monitor. "There were no range notes, no lever-aged plays of any kind. no quanto structures, nor any of the other kind of structures which were common until last

year." On the other hand, figures indicate that at the futures and options exchanges, where simpler and less complicated futures and options products are on offer, turnover has been

reasonably buoyant, in the first quarter of 1995, for example, the volume of contracts increased marginally over the same period of 1994, according to figures released in May by the Bank for International Settlements. In all, 304.5m contracts were traded, compared with 299m in the same period last year and 268.2m contracts in the final quarter of last year, indicating that growth is continuing albeit at a slower

A decline in turnover in interest rate contracts (162.9m compared to 170.4m in the first quarter of 1994l was compensated for by an increase (from 27.5m to 31.3m in equity contracts) and a more than doubling in the volume of cur-rency contracts traded (from 11.8m to 26.8m contracts).

In the options markets interest rate and currency contracts declined respectively from 32.6m in the first quarter of 1994 to 27.1m in the first quarter this year and from 5.6m to 4.4m contracts, but equity option turnover increased from

51m to 53 contracts. Not every exchange an every contract has seen the same level of growth. The London International Financia Futures and Options Exchange (Liffe) reported a 47.5 per cent fall in turnover in its 10-year gilt futures contract and a 28.1 per cent fall in volume on its bund contract in the first four months of this year, for exam-ple, and Matif, the French exchange, the Deutsche Ter-minborse, the German exchange, and Liffe suffered befty falls in volume in the first quarter compared with

In the longer term, though, the use of the simpler derivatives traded at exchanges is clearly growing - BIS figures show that since 1990 international turnover in exchange traded products has more than tripled.

The increasing popularity of such instruments among investors looks likely to offset any temporary setbacks.

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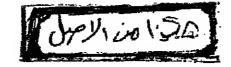
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#### COMMODITIES AND AGRICULTURE

#### end of Mark rates. strongly through its lead in mining league

By Kenneth Gooding, Mining Correspondent

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that interest a cased as a resolution of the year address of the year. Higher gold prices helped Auglo American Corporation of South Africa increase its lead as the world's biggest mining group over RTZ Corporation of the UK, according to the latest Who owns Who in Mining by the Raw Materials Group of Sweden. The analysis also shows that,

despite the efforts of some governments to privatise parts of the mining industry, state min-ing is far from dead. Among RMG's top 50 companies in 1998, the state-controlled share was the same as for the previous year, 26 per cent. However, RMG says that, when it pub-lishes the 1994 figures next year it expects the state share to be considerably less. "It is only in 1994 that the privatisation programmes in several countries gained momentum," it points out.

RMG's work shows that of the 25 largest mining companies in 1993 most - 19 - were based In industrialised countries but only two, RTZ and the State of France (Bureau de Recherches Géologiques et Minières, Eramet – which controls Societé la Nickel; and Pechiney), were in Europe. Ten were based in North America. three in Australia and four in South Africa.

The geopolitics of mining is different from other industries. Not only is Japan missing as a power in mining but among tha developed countries two additional centres of gravity are to be found. Sonth Africa and Australia," RMG

. The group admits that by many other criteria RTZ canclaim to be the world's biggest mining company. But RMG draws up its league table by reference to the value of nonfuels minerals production controlled by each company. This method of assessment gives most weight to production of high-value, metals, and minerals such as gold and diamonds and in 1993 gold prices

Top Non-fuel Miners in 1993 (ranked by share of total value) Rank (1992) Anglo America RIZ State of Brazil Australia Chile S Africa US State of Chile Imcera MIM Holdings Brascan

Phelps Dodge

State of France

Placer Dome

State of India

Cyprus Amax Minerals

were improving while those for base metals were mainly

This helped Anglo to improve its position last year. As RMG points out, Anglo controlled 23.2 per cent of western world gold production in 1993 (including output by Johannesburg Consolidated Investment as well as Anglo's share of Gold Fields of South Africa's

Angle is not only the world's biggest gold producer; compa-nies it controls are the biggest producers of antimony, chromite, platinum group metals, tungsten and vanadium. In cobalt it ranks fourth, in copper sixth, in diamonds second (the statistics assume De Beers is part of the Anglo empire), in manganese and niobhum third and in nickel it holds fourth place.

Even so. Anglo's share of western world non-fuel mineral production has been slipping 16 per cent in that year to 8.59 per cent in 1993. RMG includes CRA of Aus-

Jun Jul Sep Dec Jun Mar Total

18,78

-0.12 -0.04

51.30 +0.41 51.45 51.20 51.80 +0.05 52.30 51.80

Precious Metals continued

158.50 -3.45 162.50 158.25 619 161.40 -3.55 164.95 158.00 5,488 163.15 -3.55 167.00 161.00 399

+1.4 - 16 +1.3 552.5 544.5 10,684

18.40 18.335

50.65 50.20 11.514

1,795 1,771 20,371 4,810

1.910 7.973

E GOLD COMEX (100 Troy oz.; \$/troy oz.)

tralia as part of the RTZ group. whose share of western world production moved up from 5.1 per cent in 1992 to 5.36 per cent, mainly because increased copper output in

1.02

North America and Chile. In 1993, according to RMG, RTZ was the world's biggest producer of titanium and borax: had the second biggest output of copper and lead, the third largest of iron ore, molybdenum and zinc, the fourth biggest of bauxite, gold and silver. It was fifth biggest in lithium and zinc production, sixth in rare earths and seventh in RMG leaves out of its calcu-

lations industrial minerals and says that if such materials as talc and salt were included RTZ's world sbare would increase to 6.2 per cent, still not enough to eliminate the lead enjoyed by Anglo.

Who Owns Who in Mining 1995; £180 or US\$360 from Roskill Information Services, 2 Clapham Road, London SW9 OJA,

#### Gold helps Anglo extend | More nickel expansions under consideration

By Kenneth Gooding in London and Nikki Talt In

Two more big nickel expansion projects, one in Australia and the other in Indonesia, are

under consideration. PT Inco. the Indonesian nickel producer 58 per cent owned by Inco of Canada, savs it may spend US\$1bn to take its annual production to 220m lb by the year 2010. This would call for the development of two more nickel mines and related processing facilities.

This plan goes well beyond PT Inco's recently-announced \$500m expansion programme that will increase its annual capacity from 100m to 150m lb

Meanwhile, at the official opening of Western Mining Corporation's Mount Keith nickel mine, managing director Mr Hugh Morgan, said a number of options were being considered to increase the present annual output from 62m lb to 92.5m lb by the end of 1997. The A450m mine started up

Mr Morgan pointed out that most of the major nickel pro-Mount Keith's nickel reserves ducers are showing keen intercould sustain a much higher level of output than the present one.

Before these announcements, the Brook Hunt consultancy group, alresdy had identified nickel projects under consideration that would add 1.345bn lb of new annual capacity. This was more than all the nickel mined in 1994, some 1,320m lb. Among the big potential projects is one at Voisey Bay in Canada, owned by Diamond Fields Resources and in which

est. Mr Nick Hatch, analyst at Ord Minnett, a stockbroking affiliate of the Jardine Rleming the PT Inco potential expenditure makes one wonder whether this precludes any Inco involvement in Voisey Bay. Or perhaps Inco is trying

Keivitse nickel denosits 40km north of Sodankylä in Lapland. Falconbridge and Inco of Canada and Outokumpu of Finland all pre-qualified for the bidding process and a ministry official said they intend to bid. He said to tell Diamond Fields that the tenders were taking longer there are other fish in the sea to prepare than expected but and that the company should evaluation should be comnot get too greedy over the pleted in a few months and a entry price to Volsey Bay".

• Finland's Ministry of Trade decision would be made by the

#### Ivory Coast aims to attract mining investors

The Ivory Coast is revamping its 30-year old mining code to attract foreign and national investors, reports Rueters from Abidian. It intends to offer financial incentives and make it easier to do business.

The aim, according to a draft code before parliament, is to make mining of gold, diamonds and other minerals as important to the economy as its traditional strength, agriculture. But it also writes in various

safeguards to protect national interests, such as ensuring a share in any extra profits from sudden jump in world mineral

"Our mining sector needs to become as attractive as possi-ble for national and international mining investors so that in the medium term this sector will back up agriculture and become the second pillar of the lvorian economy," says a government statement presented to parliament this week. The paper, signed by Mines and Enargy Minister Lamine Fadika and Finance Minister N'Goran Niamien, presented 24 proposed changes to the current code, which was adopted in 1964.

The government bas an overwhelming majority in parliament so the amendments are

almost certain to pass.
The main proposals include speeding up processing of per-

mit applications to one or two months from the present four to six, making exploration more flexible and guaranteeing an exploitation licence to firms finding deposits. "This was introduced so that

mining enterprises investing large sums in the exploration phase would be assured they could develop and exploit deposits they discover," the paper says.

It suggests limiting explora-

tion permits to a maximum of seven years validity, as this is widely seen as ample time to find any deposits. The permits would run initially for three years in and then be renewable twice for two years a time.

from the end of May to July 31

the deadline for mining compa-

nies to submit tenders for the

The present law says exploration permits must specify the mineral being sought but the proposed code would allow any mineral found to be exploited without applying for a separate

#### 'Fair trade' banana quota campaign planned in EU

By Geoff Tansey

A public campaign to support a fair trade banana quota in the European Union is being planned for the autumn by organisations from 10 European Countries. The key objective is a pref-

erential fair trade quota with minimum labour and environmental standards attached" says Mr Alistair Smith, international co-ordinator of the UK-based organisation Farmers' Link. "There is nothing WTO [World Trade Organisation! illegal about this," he says.

Bananas are the fifth most important food commodity in world trade after cereals, sugar, coffee and cocoa, with a trade value of \$7.5bn in 1993, according to a new, 28 page

GRAINS AND OIL SEEDS

■ WHEAT LCE (S per sonne)

campaigners' guide to the banana trade produced by Farmers' Link.

Over 3.5m tonnes of bananas were imported into the EU in 1993, according to the report. About 62 per cent came from the "dollar" producers of Latin America with trads dominated by major US companies; 21 per cent came from the Africa, Caribbean and Pacific countries that have special trade agreements with the EU through the Lomé Convention; and the remaining 17 per cent were produced by EU members and their overseas territories

such as the Canary Islands, Martinique and Guadeloupe. The campaigners fear the existing, somewhat complex, arrangements that govern EU

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the free trade principles agreed in the Uruguay round Gatt agreement, which underpin the operations of the World Trade Organisation, and obligations under the Lome Convention to the ACP countries.

They are also concerned about labour conditions in the producing countries and harmful environmental effects of current production methods. These, the report argues, cause not only individual suffering but also affect the social and economic fabric of many producer countries.

It quotes studies from Heredia State University in Costa Rica, which allege that banana production along the Atlantic coast bas caused "deforestation, water pollution, the transformation of peasant farmers banana imports might be into agricultural labourers, the threatened by a clash between

projects with farmers and plancreation of all male villages. prostitution, alcoholism, drug tation workers. abuse and family disintegration".

The report suggests that sustainable banana production might require reduced chemical usage with some biological control of nematodes, an end to large scale mono-cropping and production on steep hillsides or the edge of water courses, more co-operative production and marketing and a respect for the international Labour Organisation conventions on independent trade

In the UK, Farmers' Link has set up a Banana Action Fund to belp the Windward Islands Farmers' Association and the Costa Rica-based Co-ordination of Banana Plantation Workers Unions with communications

JOTTER PAD

The report also recognises

tbat consumer education would be needed to effect any change as consumers prefer a spotless, yellow fruit, of uniform taste and shape, available cheaply all the year round. This, it argues, means "an industrial pattern of organisation reaches right into the midst of non-industrial countries to produce food in a way which (it is boped) no industrial country would tolerate in its own countryside".

Just Green Bananas! UK Campaigners' Guide to the Banana Trade: price £1.50 plus 20 per cent peop from Farmers' Link, 38-40 Exchange Street, Norwich Norfolk, NR2 LAX, Tel: 01603 765670 Fax 01603 761645.

#### COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Americanted Metal-Trading)

E ALUMINIUM, 96.7 PURITY (\$ per tonne)

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| High/low -            | . 8058-80                              | 5040/59            |
|                       |                                        |                    |

AM Official Kerb close 1020.5 1051/1044 21,432 EL COPPER, grade A (\$ per tonn High/low AM Official Karb close Open int. Total delly turnover

and current 234,183 60,329 III LINE AM Official £/8 rate: 1.6068 LINE Closing £/\$ rate: 1.5800 the fire Win in a second year and Sport 5870 2 other 1 5849 8 mither 1 5815 9 mither 1 5760 omeracis, but CHOCKET TOTAL - Chines change High low act well 132-00 +120 132-00 131.50 1,516 321 131.70 +120 132-00 131.50 1,516 321 131.70 +120.70 131.55 130.10 24,949 4,590 129.30 +0.25 -- 691 22 123.30 +0.40 128.00 127.30 7,356 547 127.00 +0.45 128.00 128.40 546 21 8,876 13 comtracts every exchange entract 125 and Options State ported 3 4... MINERAL TO HE ma cogirer =: fall on volume

PRECIOUS METALS

| •   | E LONDON SULLION MARKET Prices supplied by N M Rothschild)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| : • | Bold(Troy oz) \$ price 2 equiv SFr equiv                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     | 384.00.384.30<br>Detary 383.90.384.20                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|     | Months fix. 384.25 239.274 439.198<br>Attempoon by 384.30 241.987, 449.477                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|     | Day's High 384.50-384.80<br>Day's Low - 383.10-383.40                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|     | Provious close 384.70-385.10<br>Loco Lain Mean Gold Landing Plates (Va USS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|     | months 6.10 0 months 5.02<br>months 12 12 months 4.85                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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US cts equiv... 529.50 538.65 543.50 557.05 350,45 \$ price 386-369 É acuty. Gold Coins

143,112 40,335 IN UNICEADED GASOLINE 63.60 62.60 8,332 18,860 -0.15 +0.09 60.10 38,503 17,831 58.00 13,507 3,585 60.60 +0.14 +0.15 +0.40 4,547 2,680 2,031

MATURAL GAS NYMEX (10,000 mm8tu; S/mm8tu)

1,825 -0.007 1,825 1,810 18,980 1,845 -0.008 1,848 1,830 12,747

1.790 .-0.006

985.1 -0.1 985.8 383.3 16.907 18,145 387.8 -0.3 388.4 388.5 63,776 32,326 .99.07 -0.3 381.1 390.2 6,550 2,374 394.0 -0.3 384.0 390.0 19,538 1,967 397.2 -0.3 - 14,805 106 127.75 -2.45 129.00 127.50 1,074 108.30 -1.00 108.50 108.30 580 PLATINUM NYMEX (50 Troy 02.; S/troy 02.) ■ WHEAT COT (5,000bu mbr; cents/60th bushel) 1/4 396/6 392/0 1.508 17 352/6 350/0 231 PALLADRIM NYMEX (100 Troy oz.; 5/troy oz.) 619 719 5,488 772 399 89 8,506 1,580 MAIZE CBT (5,000 bu min; cents/56th bushet) -9/6 266/6 266/0135,554 23,310 -9/6 272/4 279/2 42,125 0,029 - 275/0 273/4194,741 34,732 - 280/6 279/0 20,680 1,219 - 283/0 281/6 4,000 137 SILVER COMEX (100 Troy oz.; Cente/troy oz.) 281/6 4,000 282/6 10,497 +1.5 534.0 521.0 49,395 21,069 +1.5 539.0 527.0 14,097 1,498 +1.5 547.0 534.0 16,435 884 213,658 86,460 E BARLEY LCE (E per torine) 106.15 -0.65 106.25 106.00 SOYABEANS CBT (5,000thu min; ceots/60th busine) \$80.5 +1/0 584/4 578/4 56,906 47,022 588.0 +0/4 539/2 583/4 17,091 3,303 590/6 +0/6 594/0 503/0 6,504 1,417 595/4 +0/2 602/4 592/0 49.968 20,200 607/2 +0/2 610/4 592/0 49.968 20,200 610/4 40/2 618/4 612/0 1,278 133 141,159 73,411 E CRUDE OIL NYMEX (42,000 US galls, S/barrel) Low Int Vol 18.68 79.338 35,309 75.76 -0.34 26.13 25.72 26.782 9.855 25.73 -0.35 26.10 25.73 11,199 2.342 25.67 -0.35 26.03 26.67 8.925 728 25.67 -0.31 26.05 26.87 5.957 174 25.66 -0.33 26.02 25.55 17,078 2,677 26.02 25.61 958 72,458 15,973 SOYABEAN MEAL CET (100 tons; \$/ton) 170.2 +1.3 170.5 188.6 40,071 31,747 171.8 +0.9 172.3 170.7 11,956 5,280 173.6 +0.8 174.2 172.7 9,182 1,842 170.7 11,956 172.7 9,162 174.7 9,397 +0.8 178.1 +1.1 179.5 +1.0 180.5 174.7 9,397 177.7 15,373 HEATING OF HYMEX (42,000 US galle; cfUS galle) 11,091 16,906 4,341 1,253 327 397 117.0 -5.8 120.0 FREIGHT (BIFFEX) LCE (\$10/Index point) 2128 -40 -22 -19 -20 -75 153.75 157.75 23.092 8.089 8.223 153.75 157.76 20.008 8.223 153.75 157.76 20.008 8.223 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55 157.55

> Note and Seeds 1994 Crop prices from Kenkko Group; US & per torans: Israken Pistochios 28/30 revs (in shell) naturally opened (round) 3,500 FOT MEP; firm. US simonds (shelled) 23/25 NPSSR 5,300, THE US amonths generally 222 NPSSP 5,300, FAS California; calm; new crop 5,400 FAS California; buyers awaiting final crop estimate. US wainuts (shelted) light halves and places 4,500 FAS California, stable, inclian cacheves, raw, W320, 5,550 FOT MEP, supply short, W240 6,200 C8F MEP. Turkish hazelnut kernels, 13/15 standard is 3,050 C8F MEP. pt; stable; new crop 3.450. Pumpkin seed prompt; status; new crop 3,450, Pulmpkin seed. Chinese snow white 1,850 C&F MEP for good quality; Russian S.W., long, 2,300 FOB MEP. Surflower seeds: Kenses End hand) 1994 crop 860 C&F MEP; 1995 crop 900; N Dekota, round, FOC; Israelt 1,850; new crop 1,850. Turkish apticats: new crop forecast 1,800 CIF MEP, Brazz nuts 3,200 C&F MEP, ceim.

1019 6,421 ■ COCOA CSCE (10 tonnes: \$4onnes) 5,503 2,955 ■ COCOA (ICCO) (SDR's/tonne) 2780 112 32 2800 17,083 1,681 2780 13,884 774 2780 2,543 158 2803 500 2813 +42 2813 2783 2780 ■ COFFEE 'C' CSCE (37.500fbs; cents/fbs) -0.70 162.75 160.25 2,214 -0.70 - 166 -0.70 - 28 163.35 5,024 COFFEE (ICO) (US cents/pound) No7 PREMIUM RAW SUGAR LCE (cents/bs) 2,360 350.3 +11.2 351.8 340.8 11.890 2,274 301.0 +8.2 303.0 295.0 5,849 1,332 288.7 +3.7 290.5 285.7 2,864 34 287.0 +4.0 288.7 284.0 2,134 37 288.0 +4.0 299.4 269.2 379 20 289.2 +4.0 290.4 269.2 179 20 11.72 +0.50 11.79 11.38 51.939 18.062 COTTON NYCE (50,000ths; cents/lbs) 108.75 -3.00 112.65 109.75 18,026 3,710 83.85 -3.00 85.90 83.85 9,810 1,070 77.63 -2.56 78.90 77.20 32,853 5,355 78.63 -2.52 80.85 78.25 9.978 1,016 79.25 -2.15 81.50 79.20 3,518 172 79.73 -1.77 81.80 79.55 1,486 68 ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) 108.70 -1.05 109.90 108.45 13,372 1,354 112.80 -1.10 114.00 112.80 8,031 463 110.25 +0.20 111.00 110.00 2,163 16 111.70 +0.75 111.70 110.60 2,585 69 113.95 +1.00 113.95 113.00 809 11 111.70 +0.75 111.70 110.60 2.585 118.96 +1.00 118.95 113.00 609 110.00 +1.05 118.00 116.00 433 27,457 2,034

I COFFEE LCE I OIL PRODUCTS jet fuel Diesel IN OTHER Gold (per troy oz) Silver (per troy oz) Pletinum (per troy oz.)
Palledium (per troy oz.) Copper (US prod.) Lead (US prod.)
Tin (Kusia Lumpur)
Tin (New York) Cattle (five weight): Sheep (live weight): Pigs (live weight): Lon. day sugar (raw) Lon. day sugar (wta) Tata a Lyle export Barley (Eng. feed) Malte (US No3 Yellow Rubber (Jul)♥ Rubber (Aug)♥ Rubber (KL RSS No1)

VOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one

INDICES E REUTERS (Base: 18/9/31=100)

Mey 30 month ego 2302.3 2322.7 E CRS Futures (Base: 1957=100) May 30 232,76

#### MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/lbs 61,025 -0.325 61,200 60,725 20,984 59,700 -0.075 59,900 58,425 17,300 62,050 -0.025 62,250 81,725 13,217

63.250 -0.050 63.350 62.900 63.950 - 64.000 63.650 I LIVE HOGS CME (40,000lbs; cents/lbs) 41,675 +0.525 41,775 41,200 42.750 +0.325 42.800 42.300 43.425 +0.050 43.850 43.350 42,950 +0.300 43,000 42,750

PORK BELLIES CME (40,000lbs; cents/lbs) 36.875 -0.125 37.400 36.500 4.464 1.389 35.800 -0.425 36.600 35.600 49.825 -0.525 50.700 49.850 48.850 -0.650 - 48.850 49.800 - 50.700

LONDON TRADED OPTIONS ALLIMINIUM S COPPER (Grade A) LME 273 315 27 58 101 63 38

LONDON SPOT MARKETS E CRUDE OIL FOB (per barrel/Jul) \$16.89-6.81z 017.47-7.49

\$17.47-7.492 prompt delivery CIF (tonne \$100-202 \$191-193 \$162.00 Unq. 41.75c 14.53m 293.50c +2.00 122.50p +1.48\* \$386.0 Unq. 2147.0 110.00p 110,000 Coconut Oil (Phil)§ Palm Oil (Malay.)§ Copra (Phil)§ \$635.0y \$630.0

412.Du

Soyabaana (US)

Cotton Outlook'B' Index

**CROSSWORD** 

No.8,776 Set by CINCINNUS

ACROSS 1 Big woman as rough as gent. 5 Take mushroom in play (8) age without an onlooker (8) navian river (6)
12 Queen turned to a parcel? (9) 18 Something worth baving when fixed (5)

A cook's endless pain (4) 18 lt's a disappointment, being allowed soft feathers (3-4) 19 A learner with a gun makes you frightened (7) 21 Apulian city singer lacking 24 Imagine mother's re-entry (5) 25 Places and composition? (9) 27 Bird taking part in viva voce

test (6) 28 Tolling with a new engraving process (8) 29 Substitute provided by bank ers at Zurich (6) 30 Killer of 12 holed out in a

plant associated with the

DOWN Return for support after game

(2,4)shake your head (3-3)

3 Flower, large one, that's first raised outside (5) Feminine articles put in case

taking account of personal 7 Paint about fifty birds with 8 Dealing with the provision of free entertainment (8) 11 Orb or not? Nothing but orb 15 Cheese - puss has swallowed

part (9) 17 Male bird going after male plant (8) 18 Officer on ship with many sailors (8)

20 Surrealist upsetting one youngster (4) 21 Graduate with novel by Zola bearing fruit (7) 22 Given a lodge for correction?

23 Sort of blue soil (6) 26 Cut with small whin (5) Solution 8,775



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#### INTERNATIONAL CAPITAL MARKETS

#### Treasuries lower on mixed economic data

By Lise Bransten in New York and Graham Bowley in London

US Treasury prices see sawed through the morning yesterday as traders reacted to mixed economic data and activity in

the currency market.

By midday prices were lower across the maturity spectrum with the benchmark 30-year Treasury bond price down at at 112 to yield 6.684 per cent. At the sbort end, the two-year note fell i at 100 to yield

5.889 per cent. Bond prices fell in overnight trading as investors took some profits, after the rally on Tuesday that saw the long-bond yield fall to 6.66 per cent on the heels of a more than 114 point price increase.

In early morning New York trading, bonds added to declines posted in Europe. This followed new figures on first quarter gross domestic product be etronger than many

Although the overall GDP growth rate was revised down to 2.7 per cent, from the esti-mate of 2.8 per cent released in April, the figuree showed a substantial downward revision to the business inventories

#### GOVERNMENT BONDS

Shortly after the release of the GDP figures, however, bonds got a boost as the dollar rose against the Japanese yen and the D-Mark in reaction to intervention on the currency markets by the Fed and central banks from other G10 nations. But that increase proved short-lived as a new piece of economic data spurred another round of selling. A report from

the Purchasing Management Association of Chicago put business activity at 53.5 per cent in May, down from 57.6 per cent in April but not as weak as economists had

European markets followed the US lower yesterday after central banks intervened on the foreign exchanges to lift

The intervention fuelled speculation that the Bundesoank, the German central bank, might lower its key interest rates at today's council meeting. The consensus among dealers, however, seems to be that the Bundesbank will leave rates unchanged.

Most European markets made cautious gains in quiet trading during the morning session, but were knocked backwards in the afternoon, rattled by the drama on the

currency markets and by US data showing an upwards revi-sion to final sales figures in first-quarter US GDP data.

The next focus of attention for traders is US non-farm pay-roll data for May, due on Fri-day. April's figure was particularly weak and most analysis expect a strong bounce back. "The only question is how strong that bounce back will be," said Mr Huw Roberts at NatWest Markets in London.

■ German government bond prices declined, as investors were unnerved by the foreign currency intervention and by the drop in US Treasuries.

The dollar's relative strength against the D-Mark heightened speculation that it might end the recent large investment flows into the German market. Mr Stefan Schneider, at S.G. Warburg in Frankfurt, said that recent figures show that

cation was that this inflow of foreign money had continued in April. "If the dollar recovery is going to last, many investors may want to cash in their foreign exchange gains and we could then see quite a visible sell-off in the bund market," said Mr Schneider.

Anxiety over the UK authorities' proposals to change the tax treatment of UK government bonds continued to para-lyse the gilts market, which followed bunds lower in thin turnover.

about the tax changes they are a great disincentive against investors increasing their gilt boldings," said Mr Andrew

"Until there is greater clarity

Roberts at UBS in London.
A lack of real economy data meant that the gilts market

foreign investors bought was likely to remain subdued over the coming days, traders said.

The French government bond market was quiet with the 10-year yield spread steady at around 81 basis points. Uncertainty over the new government'e economic poli-cies continued to grip tha market

Italian government bonds began the day strongly as they continued to react favourably to last week's interest rate increase, and were supported by enti-inflationary comments from Mr Antonio Fazio, gover-nor of the Bank of Italy. But the market gave up its early gains in afternoon trading when it followed US Treasuries

lower. Spanish government bonds fell back, troubled by an auc-tion of five- and 15-year

#### Big response to Portugal Telecom offer

By Peter Wise in Lisbon

The global offer of Portugal Telecom is assured of a resounding success when it is concluded on the Lisbon stock exchange today, with demand for shares expected to be 4.3 times higher than the number on offer.

Mr Joaquim Ferreira do Amaral, minister for telecom-munications, said the strong international response to the offer should provide encouragement for other European countries which are preparing to privatise telecommunica-

Bankers involved in the placement said Portugal was almost certain to take up an option to expand the offer from 26.3 per cent of Portugal Tele-com to 28 per cent. This would increase the sale from 50m to 53.2m of the company's 190m

The government will decide on the increase at a meeting today that will also fix the final price of the shares within the predetermined range of Es2,500 to Es3,100. Dealers said a price of about Es2,700 a share would ensure a rally when secondary market trading begins

assured control of 100 per cant of Companhia Radio de Mar-coni, Portugal's intercontinen tal telecommunications compeny, Mr Ferreira do Amaral said yesterday. Private share holders, who own 49.6 per cent of Marconi, were invited to swap their shares, valued at Esc.500, for Portugal Telecom shares.

He said demand for the offer

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AZ CROSS RATES

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showed international investors approved the restructuring Portugal'a telecommunications sector over the past four years.
This was more important than
the financial success of the operation, which is expected to raise about Es130bn (\$336m), Approval for privatisation of

further tranche of Portugal Telecom was likely soon, after Portugal'e general election in October. A law limiting private ownership to 49 per cent of the company would almost certainly be repealed, the minister

. A government official said foreign demand for Portugal Telecom was dominated by institutional investors, particularly UK and US funds. No foreign telecommunications company had acquired a significant holding.

#### Romania makes a return

May 31 May 30 Yr. ago May 31 May 30 Yr. ago May 31 May 30 Yr. ago

8.82 8.92

7.81 8.10 a.07

May 31 May 30 Yr. ago

Romania yesterday marked its return to international capital markets with the signing of a \$150m one-year syndicated loan for the National Bank of Romania.

Tha loan, on which the bank will pay a group of 32 international banks a margin of 275 basis points over the London interbank offered rate, was

7.71 7.93 7.93 7.93

8,49

8.76

May 31 May 30 Yr. ago

7.75 7,97

increased from \$75m after being heavily oversubscribed.
The proceeds from the loan, which was arranged by Citibank, will improve the country's foreign currency reserves. Romania is seeking a foreign currency debt rating and is expected to turn once again to the syndicated loans market to improve pricing before making ite debut on the eurobond

#### **IBJ** embraces "selling group" for Eurofima deal

IBJ became the latest bank to sell eurobonds through a spe-cially constituted "selling group" rather than through a formal underwriting syndicate of banks, embracing a sales technique pioneered by Mor-

IBJ is bringing a DM200m INTERNATIONAL five year issue for Eurofima, the European railway equipment agency, through a group of nine banks - ABN Amro, Paribas, BZW, Chase Manhat tan, DKB, Fuji, Merrill Lynch, Nomura and Salomon Brothers. Participating banks are paid a sales commission for

each bond they sell. Syndicate managers at IBJ said the sales structure was more efficient, made it easier to control the issue and added to credibility. "This type of

who feel they can bring some-thing to the party," said man-

IBJ played down fears that there has been an oversupply of eurobond paper in the five-year D-Mark sector recently, and said that the yield on the

#### BONDS

issue tightened marginally from a launch spread of 22 basis points over the Bund. Unusually Eurofima will swap the proceeds of the issue - it is understood into floating rate Swedish Krona - taking advantage of favourable swap oppor-tunities in the sector. Swap spreads in the five-year area of the German yield curve have

widened out by some 10 basis

points over the past week or so, partially reflecting the shortage of five-year issuance by the German authorities. In addition syndicate managers pointed to indicators of demand from Japanese and Asian investors for the paper.

Arbitrage opportunitles are also understood to have been a factor in the decision by France's Compagnie Bancaire to Issue five-year D-Marks through Bayerische Landesbank. It is understood that the proceeds were swapped into floating rate French francs, German swap spreads quoted at 45 basis points over

the Bobl - yesterday offered the "best arbitrage of the year in the three core markets, mir-rored only by those in dollars at the beginning of the year," said IBJ.

Elsewhere, highlights

| Borrower                                                              | Amount<br>fil.    | Coupon<br>%          | Price                       | Manufly                          | Foca<br>%               | Spread<br>bp | Book namer                                                              |
|-----------------------------------------------------------------------|-------------------|----------------------|-----------------------------|----------------------------------|-------------------------|--------------|-------------------------------------------------------------------------|
| US DOLLARS<br>Kymmene Finance(a)‡                                     | 50                | (21)                 | 99.78R                      | Jun.2000                         | unded.                  |              | Chemical Investment Bank                                                |
| YEN<br>Norddeutsche Landesbenk(b)                                     | 10bn              | 2.24                 | 100.20                      | Dec.1988                         | 0.20                    | -            | Morgan Stanley & Co.intl.                                               |
| STERLING<br>Royal Bank of Scotland(c):                                | 125               | (c1)                 | 89.60R                      | Jun.2005                         | 0.40R                   |              | URS                                                                     |
| O-MARKS<br>KW International Finance<br>Compagnia Banceira<br>Eurolime | 15n<br>300<br>200 | 6.75<br>6.00<br>5.75 | 99.745R<br>99.82R<br>98,453 | Jun.2005<br>Jun.2000<br>Jun.2000 | 0.325R<br>0.25R<br>0.20 | +4287446-00  | Bayer LB / Morgan Stanley<br>Bayerische Landesbank<br>IBJ (Deutschland) |
| SWISS FRANCS<br>Japen Finence for Muni. Eval.                         | 150               | 5.00                 | 103.125                     | Jun.2005                         | 2.75                    | -            | Swige Bank Corp.                                                        |
| ITALIAN LIRE<br>World Benk                                            | 200bn             | 10.50                | 100.89                      | Jul.1997                         | 1.00                    |              | BCI/ BNL/ JP Morgan                                                     |

Proteing-rate hold, it, triad re-chief price, read shown at re-chief level, at seller subject of 22/2/25 was increased to 5150m, Callebra of coupon dates from Jun.06 at par. at) 3-mth Libor +371/sbp, b) Short 1st coupon. c) Callebra in Jun.00 at par. at) 3-mth Libor +371/sbp, b) Short 1st coupon.

included a DM1bn 10-year issue by Bayerische Landesbank and Morgan Stanley for KfW, the German state development agency. Morgan Stanley said the yield spread on the deal narrowed slightly, from a launch spread of 19 basis points over the bund, and was trading at 18 offer 19 bid in the late afternoon, It was generally recognised that there was substantial institutional demand,

points of 100%

5ep 1.95 2.18 2.43

RES (CBT) \$100,000 32nds of 100%

Low 112-22 112-11 111-31

0.82 1.22

0.83 1.08 1.38

43438 6224 NS (LIFFE) Lina200m 100ths of 100%

Est vol Open int.

Est. vol. Open int. 74,548 44,465 328 1,508

Est voi Open int. 48174 52593 18738 90852

Est. vol. Open Int. 262,321 262,603 28,404 105,052 1,662 9,652

33488 7282

especially from Japanese investors, for 10-year D-Mark paper. A number of tradere eaid investors had engaged in curve extension trades.

Royal Bank of Scotland became the latest issuer to tap the sterling floating rate mar-ket, raising £125m through a 10-year issue lead by UBS. The issue, the bank's second venture into the euromarkets this year, will be used to

Up to 5 years (23) 2 5-15 years (21) 3 Over 15 years (8)

Up to 5 years (2

7 Over 5 years (11)

Index-Brited

strengthen its tier two capital. J. P. Morgan combined with two Italian banks - Banca Comerciale Italiana and Banca Nazionale del Lavoro - to launch a L200bn issue for the World Bank. Targeted at Italian retail investors, the issue was priced to yield 58 basis points under Libor and, according to Morgan, tightened in after trading to 71 basis points

2.20 1.82 2.93 1.22 2.21

4.27 5 yrs 5.44 15 yrs 5.03 20 yrs

2.57 1.73 1.61

under.

121,74 146,91 185,43

+0.02 -0.18 -0.26

FT-ACTUARIES FIXED INTEREST INDICES

121.77 145.85 165.01

188,19 141,83

| WOR                          | LD BON          | ID PRI         | CES      |              |              |           | a silen   |               |              |               | 1 3           | J# (7 )    |            |              |
|------------------------------|-----------------|----------------|----------|--------------|--------------|-----------|-----------|---------------|--------------|---------------|---------------|------------|------------|--------------|
| BENCH                        | MARK            | GOVE           | RNM      | ENT BO       | NDS          |           |           |               | M BUND       | FUTURES       | OPTIONS (L    | JFFE) ON   | 4250,000   | points o     |
|                              |                 | - 1            | Red      |              | Day's        |           | Week      | Month         | Strike       |               |               | 115        |            |              |
|                              |                 | Coupon         | Dete     | Price        | change       | Yield     | 200       | ago           | Price        | فنال          | Aug           | Sep        | Dec        | Jul          |
| Australia                    |                 | 7,500          | 07/05    | 90,4600      | -0.680       | a 96      | 6.97      | 8.63          | 8450         | 0.82          |               | 1.03       | 1.12       | 0.42         |
| Austrie                      |                 | 7.000          | 05/05    | 100,5800     | +0.230       | 6.92      | 7.01      | 7.39          | 2500         | 0.37          | 0.62          | 0.78       | 0.91       | 0.67         |
| Belgium                      |                 | 6.500          | 03/05    | 94,0500      | +0.140       | 7.37      | 7.38      | 7.92          | 2650         | 0.20          | 0.42          | 0.58       | 0.73       | 1.00         |
| Cenada *                     |                 | B.000          | 12/04    | 105,5500     | +0.350       | 8.15      | a 13      | 6.63          | Est. vol. to | ol. Cath 258  | 30 Puts 8710. | Province   | dev's op   | on Ind., Cal |
| Denmerk                      |                 | 7.000          | 12/04    | 92,7200      | -0.180       | 8.12      | 8.06      | 8.74          |              |               |               |            |            |              |
| France                       | BTAN            | 7.750          | D4/00    | 102,8700     | _            | 7.00      | 8.99      | 7.47          | italy        |               |               |            |            |              |
|                              | CAT             | 7.500          | 04/06    | 100.3000     | +0.040       | 7.45      | 7.41      | 7.82          |              |               |               |            |            |              |
| Germanty E                   | Bund            | 6.875          | 05/05    | 101,5900     | -0.170       | 6.65      | 6.71      | 7.08          |              |               | AN GOVI.      |            | TIP) FU    | CHES         |
| Ireland                      |                 | 6.250          | 10/04    | 86,6500      | +0.050       | 8.35      | 8.35      | 8.83          | (CIFFE)      | Lina 200m     | 100ths of     | 100%       |            |              |
| Italy                        |                 | B.500          | 01/05    | 86,1500      | -0.090       | 11.97+    | 11.84     | 13.03         |              | Open          | Sett price    | Chang      | e Hi       | -            |
| Japan                        | No 119          | 4,800          | 05/99    | 110,1520     | +0.200       | 2.08      | 2.52      | 2.61          |              |               |               |            |            | -            |
|                              | No 174          | 4,600          | 09/04    | 113.8550     | +0.750       | 2.73      | 3.08      | 3.42          | JOH          | 100.65        | 100.17        | -0.17      |            |              |
| Netherland                   | te,             | 7.750          | 03/05    | 107,1000     | -0.140       | 8.73      | 279       | 7.16          | Sep          | 100.15        | 99.75         | -0.13      | 100.       | 67 9         |
| Portugal                     |                 | 11.875         | 02/05    | 99.8500      | -0.050       | 11.88     | 11.79     | 12.30         | I ITALIA     | N GOVT. B     | OND (BTP)     | FUTURE     | S OPTK     | MS (LIFT     |
| Spain                        |                 | 10.000         | 02/05    | 90.9400      | -0.540       | 11.56     | 11.21     | 12.07         | On 11        |               |               |            |            |              |
| Sweden                       |                 | 6.000          | 02/05    | 73.2010      | +0.950       | 10.54     | 10.70     | 11,57         | Strike       |               |               | us         |            |              |
| UK Gits                      |                 | a 000          | 08/99    | 94-04        | -1/32        | 7.67      | 7.62      | 8.18          | Price        |               | Sep           | D          | (C         |              |
|                              |                 | 6.500          | 12/05    | 104-03       | -5/32        | 7.92      | 7.86      | 8.35          | 9650         |               | 2.20          | 2.0        |            | 1            |
|                              |                 | 9.000          | 10/06    | 108-15       | -3/32        | 7.96      | 7.93      | 8.35          | 10000        |               | 1.93          | 2.4        | 47         | 2            |
| US Treasu                    | γ'              | a 500          | 05/05    | 101~10       | +4/32        | 6.32      | 8.43      | 7.02          | 10050        |               | 1.68          | 2.         | 27         | 2            |
|                              |                 | 7.825          | 02/25    | 112-00       | +5/32        | 269       | 6.78      | 7.35          | Est. vol. to | ni, Cata 2690 | Puts 1795.    | Previous o | lay's oper | I INC. CHE   |
| ECU (Frans                   | eh Govi)        | 6.000          | 04/04    | 69.0100      | +0.020       | 7.75      | 7.77      | 8.17          |              |               |               |            |            |              |
|                              | ing. "New Yor   |                |          |              |              |           | ocal meri | on standard.  | Spain        |               |               |            |            |              |
| 7 Gross And                  | tuding within   | lating text at | 12.5 per | cent payeble | by norwest   | dentsi    |           |               |              |               |               |            |            |              |
|                              | JK in Strate, o |                |          |              |              |           | ros: Mars | international | MOTIO        | NAL SPAN      | BOND HE       | FUTURE     | S (MEH)    |              |
| ne na                        | EREST           | DATE           |          |              |              |           |           |               |              | Ореп          | Sea price     | Chang      | -          | -            |
| MA HAI                       |                 | 12712          | ~        |              |              |           |           |               | Jun          | 86.30         | 85.67         | -0,50      |            |              |
| Linchtime                    |                 |                |          | Treasur      | y Billis and | Bond Yk   | olda      |               | Sep          | 86.20         | 85.80         | -0.80      | 86.        | 20 B         |
|                              | •               | On             | o morth  |              |              | NO TOOL   |           | 591           | UK           |               |               |            |            |              |
| Prime rate<br>Broker loan at |                 | 9 Tw           | e month  |              | 6.13 T       | MOR YOUR. |           | 5.96          | ■ NOTIO      | NAL UK GZ     | LT FUTURE     | S (LIFFE   | ° €50.00   | 0 32nds      |
| Fed.hindo                    |                 | 8,1 So         | स्थानक   |              | 5.89 14      | ye year   |           | 6.35          |              | Open          | Sett price    | Chang      | e fik      | ah 1         |
| Fed.lundo al i               | masvendog       | - On           | a 360    |              | 5.83 30      | )-jou     |           | 6 65          | Jun          | 107-31        | 107-18        | -0-05      |            |              |
|                              |                 |                |          |              |              |           |           |               | Seo          | 107-17        | 107-02        | -0-06      |            |              |
|                              |                 |                |          |              |              |           |           |               |              |               | RES OPTIO     |            |            |              |
|                              |                 |                |          |              |              |           |           |               | Strike       |               | - CAL         |            |            |              |
|                              |                 |                |          |              |              |           |           |               | Price        | Jul           | Aug           | Sep        | Dec        | 34           |
| BOND                         | FUTUR           | ES AN          | D OP     | TIONS        |              |           |           |               | 107          | 0-59          | -             | 1-42       | 2-06       | 0-55         |
| -0110                        | - <del> </del>  |                | - V      | 110113       |              |           |           |               | 106          | 0-31          |               | 1-12       | 1-45       | 1-27         |
|                              |                 |                |          |              |              |           |           |               | 100          | 0-15          |               | 0-52       | 1-21       | 2-11         |
|                              |                 |                |          |              |              |           |           |               | 140          | O-13          | -             |            | 1.5        | 2-11         |

|             |                  |             |              |            |                |             |           | 3688         | -               | ,        | -          |
|-------------|------------------|-------------|--------------|------------|----------------|-------------|-----------|--------------|-----------------|----------|------------|
|             |                  |             |              |            |                |             |           | Price        | Jul             | Aug      |            |
| BOND        | FUTUR            | es and      | OPTI         | ONS        |                |             |           | 107          | 0-59            | 1-22     |            |
|             |                  |             |              |            |                |             |           | 106          | 0-31            | Q-56     |            |
|             |                  |             |              |            |                |             |           | 100          | 0-15            | 0-35     | . (        |
| France      | 8                |             |              |            |                |             |           | Est. wal, to | cal. Calls 2000 | Pires 25 | 57.        |
| -           | NAL FRENC        | H BOND F    | UTURES (     | MATIF) FF  | 500,000        |             |           | Ecu          |                 |          |            |
|             | Open             | Sett price  | Change       | High       | Low            | Est. vol.   | Open Int. | M ECU E      | OND FUTU        | FRES (MA | <b>NTH</b> |
| Jun         | 118.00           | 115.74      |              | 11210      | 115.68         | 122,586     | 115,396   |              | Open            | Sett or  | loe        |
| Sep         | 115.66           | 115,38      | -0.02        | 115.74     | 115.34         | 10,443      | 39,197    | -Jun         | 86.00           | 96.0     |            |
| Dec         | 115.44           | 115.16      | -            | 115.50     | 115.28         | 125         | 2,017     | Sep          | 85.88           | 85.8     |            |
| LONG        | TERM PRO         | HCH BOND    | OPTIONS      | (MATIF)    |                |             |           |              | -               | -        | •          |
| Strike      | -                | CAL         | LS           | _          |                | PUTS -      |           | US           |                 |          |            |
| Price       | Jul              | Se          | 9 [          | Dec        | Jul            | Sep         | Dec       | US TR        | EASURY BO       | ישק מאס  | TUP        |
| 114         | 1.67             |             |              | -          | 0.25           | 0.80        |           |              | Ореп            | Lates    |            |
| 118         | 0.96             |             |              | -          | 0.54           | 7.16        |           |              |                 |          | -          |
| 116         | 0.43             |             |              | .46        | 1.00           | 1.58        |           | Jun          | 113-00          | 112-2    |            |
| 117         | 0.16             |             |              | •          | 1.75           | -           | -         | Sep          | 112-21          | 112-1    |            |
| 116         | 0.07             |             | -            |            |                |             | -         | Dec          | 112-10          | 112-0    | 2          |
| Est vol. to | tol. Colls 13.43 | 2 Puts 13,9 | 22 . Previou | s day's op | on int., Calle | 125,172 Pus | 117,845.  |              |                 |          |            |
|             |                  |             |              |            |                |             |           | Japan        |                 |          |            |
| Germ        | any              |             |              |            |                |             |           | _            | WAL LONG        | TERM     | JAP        |
| IE NOTIC    | NAL GERIK        | AN BUND F   | UTURES       | LIFFE)" OF | W250,000 10    | 00ths of 10 | 0%        |              | Y100m 10        |          |            |
|             | Open             | Sett price  | Change       | High       | Low            | Est. vol    | Open Int. |              | Open            | Clos     | 9          |
| -Jun        | 95.79            | 95.20       | -0.24        | 95.78      | 95.05          | 164857      | 125171    | Jun          | 121.25          |          |            |
| Sep         | 95.22            | 94.70       | -0.22        | 95.24      | 94.58          | 32063       | 58541     | Sep          | 120.20          |          |            |
|             |                  |             |              |            |                |             |           | · LIFFE fut  | DOTE DATE OFFE  | ed on AP | T. A       |

| Germa                                     | -                   | IAN BUND I             | TUTURES                      | (LIFFE)" D                 | W250,0     | 00 100ths of 10                                                      | 10%        |          |                | MAL I        |                | TERM<br>His of | JAPANESE G                                                        | OVT. 90             | ND F           | UTUF                            | ES                      |                                                  |                     |                                         |
|-------------------------------------------|---------------------|------------------------|------------------------------|----------------------------|------------|----------------------------------------------------------------------|------------|----------|----------------|--------------|----------------|----------------|-------------------------------------------------------------------|---------------------|----------------|---------------------------------|-------------------------|--------------------------------------------------|---------------------|-----------------------------------------|
|                                           | Open                | Sett price             | Change                       | High                       | Lo         | w Est vol                                                            | Open in    | -        |                |              | реп            | Clo            | se Change                                                         | High                |                | Low                             | Est                     | L voi                                            | Оре                 | s ins.                                  |
| Jun                                       | 95.79               | 95.20                  | -0.24                        | 95.78                      | 95.        |                                                                      | 125171     | Se       |                |              | 1.25           |                |                                                                   | 121.54<br>120.49    | -              | 20.60<br>19.30                  |                         | 573<br>066                                       | 9                   | 0                                       |
| Sep                                       | 95.22               | 94.70                  | -0.22                        | 95.24                      | 94.        | 58 32063                                                             | 58541      |          |                |              |                | d on A         | PT. All Open Inte                                                 |                     |                |                                 |                         | 000                                              |                     | ,                                       |
| UK G                                      | ILTS P              | RICES                  | A.                           | 1. 1. <u>192</u> -         | 3.24       |                                                                      |            |          |                |              |                |                | . ds                                                              |                     |                | ¥ .                             | , .S.                   |                                                  |                     |                                         |
|                                           | Ngtas               | Vield                  | Price E .                    | or- High                   | 995<br>Low |                                                                      | Notes ti   | _ Yickid | Price E        | + <b>u</b> - | 1              | 995_           |                                                                   | Notes               | <u></u> %      | (2) P                           | Hor E                   |                                                  | High                | 995                                     |
|                                           | es up to Fire t     |                        |                              |                            |            | 1reas 63 <sub>40</sub> c 2004#                                       |            |          | 92             | -2           | _              |                | Index-Linked                                                      | (24                 | - 1-1          |                                 |                         | _                                                | 1-4-1               |                                         |
| Trees 12 kp                               | 1995#               | 10.19 6.4<br>12.41 6.4 | 1024                         | -1 1013<br>-3 1043         | 103%       | Cook 8 1 <sub>2</sub> pc 2005 .<br>Treat, 12 1 <sub>2</sub> pc 2003- |            |          |                | -4           |                | 1035g<br>11953 | 20E '96                                                           | 135.6               | 꼂              | 3.06                            | 2101                    | 3                                                | 210H                | 201 A<br>100 A                          |
| 14pc 1998<br>15%pc 189                    | 96##                | 13.38 6.5<br>24.27 6.5 | 7 1073                       | 106%<br>109%               | 194%       | Treas 8 1 <sub>2</sub> pc 2005‡                                      | ‡ &        | 17 7.95  | 104            | -3           | 19455          | 97%            | 2120C OT                                                          | 178.31              | 2.93<br>3.10   | 139<br>149<br>345               | 175世                    | \$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$ | 175                 | 35753                                   |
| Each 131 <sub>4</sub> pc<br>Commission 1  | 1996##<br>8ec 1996  | 1250 6.6<br>961 6.9    |                              |                            | 105(2      | 74pc 2006##<br>8pc 2002-6##                                          | 71         |          |                | - <u>*</u>   | 1008           | 834            | 47gp; (0444                                                       | .035.D              | 3.11           | 3.45                            | 17945                   | T                                                | 115%                | 1686                                    |
| Trees 13 upo<br>Each 10 apc               | 1997##              | 12.12 7.1<br>8.96 8.1  | 2 10933                      | 10548                      | 108/4      | Tress 11 kpc 2003-<br>Tress 81 pc 2007 #                             |            |          |                | 1            | 1216           | 9745           | 21292 T9                                                          | 74.6                | 3.30<br>3.35   | 151<br>152<br>156<br>156<br>156 | 163                     | 7                                                | 170                 | 157                                     |
| Trees City 7p                             | c 1987##<br>1997##  | 7.97 7.2<br>8.51 7.3   | 0 9812                       | C823                       | 8715       | 131 <sub>200</sub> 2004-8_                                           | 101        | 08 8.03  | 133[]          | 4            | 1345           | 128,5          | 21 <sub>2</sub> 90 13                                             | #1 G                | 138            | 156                             | 139%                    | 4                                                | 140 4               | 137                                     |
| Excts 1Spc 19                             | 97                  | 1287 73                | 6 1161                       | -ia 1185g                  | 1142       | 76600 Spc 2008 井.<br>1 read Spc 2008                                 |            |          |                | 7            |                | 1015g          | 2-20 20<br>2-20 2444<br>2-20 3044                                 | . (63.0)<br>(197.7) | 248<br>145     | 3.59                            | 1165                    | -7                                               | 1305                | 100                                     |
| 64pc 1990<br>Tress 74pc                   | 1998‡‡              | 7.30 7.5               | 994                          | 4층 105년<br>4층 99학          | 103%       |                                                                      |            |          |                | _            |                | -              | 2120C 30##                                                        | л35.11              | 3 45           | 3.59                            | 11633                   | 74                                               | 119/4               | 1082                                    |
| Treas 151 <sub>2</sub> pt                 | 1685-98##<br>'98##  | 689 7.5<br>1280 7.5    | 2 1234                       | - 스 9의<br>- 스 12의          | 120%       |                                                                      |            |          |                |              |                |                |                                                                   |                     |                |                                 |                         |                                                  |                     |                                         |
| Euch 12pc 11<br>Tream 6 <sup>1</sup> 2pc  | T999##              | 10.61 7.6<br>6.96 7.6  | 3 105/2                      | 113½<br>108½               |            | Over Fifteen Years                                                   |            |          |                |              |                |                |                                                                   |                     |                |                                 |                         |                                                  |                     |                                         |
| Treat Phy Ra<br>Each 127400               |                     | 10.66 7.6              | - 160 3.51<br>7 1147         | 100 &<br>115 &             |            | Treus 6 1/4pc 2010.<br>Com Boc La 2011 ±                             |            |          |                | 걐            | 85¶3           | 79.5<br>10133  |                                                                   |                     |                |                                 |                         |                                                  |                     |                                         |
| Trees 10 <sup>3</sup> 2ps<br>Trees Soc 19 |                     | 9.59 7.6<br>6.37 7.6   |                              | 1154<br>1099<br>4 948      | 10513      | Treat Spc 2012## -                                                   | 82         | 22 7.97  | 109,           | -14          | 1103           | 102/4          |                                                                   |                     |                |                                 |                         |                                                  |                     |                                         |
|                                           | 04pc 1999_          | 9.37 7.7<br>8.56 7.6   | 3 109                        | -1 109jj                   | 1052       | Trees 6pc 2013##                                                     |            |          |                | 11           | 79/2<br>101 12 | 724            | Other Fix                                                         | ed In               | tere           | st                              |                         |                                                  |                     |                                         |
|                                           |                     |                        |                              | 12 100 %                   | 20032      | 7 kpc 2012-15##<br>8ec 2015                                          | 7.5        |          |                | -4           | 102%           | 91 <u>33</u>   |                                                                   |                     | _ Y            |                                 |                         |                                                  | _ 1                 | 995                                     |
|                                           |                     |                        |                              |                            |            | Tream Billion 2017#1<br>Excit 120c 2013-17                           | BI         | 7 7 8    | 10813          | -33          | 1083           | 10011          |                                                                   | Hiptes              | int            | _                               | Price E -               | + <del>01</del>                                  | High                | Low                                     |
| Five to Fifte                             |                     |                        |                              |                            |            | COST 129C 2013-11                                                    |            | 13 8.80  | 137 24         | -10          | 13333          | 127.5          | Actor Dev 10% pc 2<br>Bream 1: 120c 201                           | 2                   | 8.79<br>9.58   | 8.21<br>9 18                    | 115%                    |                                                  | 176,7               | 106[]                                   |
| Tress 13pc 2<br>Sec 20001                 |                     | 10.87 7.7<br>7.89 T.6  | 5 1217 <u>.</u><br>8 101 525 | - 122일<br>- 101년<br>- 110년 | 117        |                                                                      |            |          |                |              |                |                | Res Cap 1996                                                      | 10                  | B 10<br>B 67   | =                               | 103%                    | Į,                                               | 105                 | 716 <sup>1</sup> 2<br>95 <sup>1</sup> 4 |
| 19pc 2001                                 | -1                  | 9.09 70<br>11.98 7.5   | 0 116基                       | -110%<br>-2 1114           | 10443      |                                                                      |            |          |                |              |                |                | 1330 '97-2<br>Hydra Carbec ! Son                                  | 2011. 1             | 11,70<br>10.12 | S-10                            | 1114                    | -4                                               | 154<br>1114<br>1545 | 107                                     |
|                                           | #                   | 7.30 78<br>8.86 7.9    | 2 957                        | -ie 961 <sub>2</sub>       | 90()       | Comois 4pc                                                           | 61         | 17 -     | 4812           | -Ja          | 4913           | 451e           | Legis 131 <sub>2</sub> pc 2006<br>Legisoni 31 <sub>2</sub> pc int | d 1                 | ID 11<br>8.75  | -                               | 133%                    |                                                  | 13312               | 12617                                   |
| 8pc 2003‡                                 | ŧ                   | 798 7.9                | 100                          | -3 101.                    | 34.5       | War Lean 3120CH<br>Com 3120C '81 AR .                                |            |          | 442.51<br>50.3 | 7            | 44 %<br>60%    | 40\3<br>57\3   | LCC 3pc '20 Aft                                                   |                     | 5 70<br>9.83   | 9.10                            | 341 <sub>2</sub><br>117 |                                                  | 3417                | چا31<br>1139ء                           |
|                                           | 2001-4              | 6.91 7.9<br>9.87 7.8   | 110/2                        | - A 112日<br>- A 118日       | 11033      | Treas Spc '66 At                                                     | 82         | <b>-</b> | 3612           | -4           | 381            | 34 4           | Met Wir Inc B'<br>drande Angle 320                                |                     | 4 17           | 778                             | 12<br>143b              | =                                                | 1435                | 130%                                    |
| Funding 31/2<br>Compraison 9              | 1939-4<br>1296 2004 | 4.54 7.9<br>8.65 7.9   |                              | -2 60,<br>-3, 110,         |            | Consults 21 <sub>2</sub> 00<br>Treats 21 <sub>2</sub> 00             | 7.3<br>8.1 |          | 30%            | - 4          | 31%<br>31&     | 2344           | 4 kpc 8, 2024                                                     |                     | 4 94           | 427                             | 1381                    |                                                  | 130)                | 1231                                    |
|                                           |                     |                        |                              |                            |            | Denie ad Ex Cov                                                      |            |          |                |              |                |                |                                                                   |                     |                | -                               |                         |                                                  | .23                 |                                         |

|                                                                       | May 31 M                  |                  |                          |                   |              |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   | _                            |                                              | _     | _                    | Mey 30                           | May 28                                             | May 25            | May                  |                                              | May  | _           |
|-----------------------------------------------------------------------|---------------------------|------------------|--------------------------|-------------------|--------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------|----------------------------------------------|-------|----------------------|----------------------------------|----------------------------------------------------|-------------------|----------------------|----------------------------------------------|------|-------------|
| or 1995. Government                                                   | 113.68 11<br>Securities h | 3.58 1           | 13.77 complet            | 113.88<br>br: 127 | 113.1        | 0 109.33                       | 113.88                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 109.77                            | 5 day e                      | ped be<br>verage<br>a compl                  |       |                      | 109.3<br>127.2<br>21/1/94) . los | 104.9<br>121.1<br>• 50.53 (3/1/75                  | 228.1<br>116.0    | 90.<br>87.<br>Govern | 2                                            |      | E,          |
| and Polyd Interset 1                                                  | 625. SE act               | ivity India      | ne rebec                 | ed 197            | 4.           |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                              |                                              |       |                      |                                  |                                                    |                   |                      |                                              |      |             |
| FT/ISMA INT                                                           | ERŅAT                     | пом              | L BO                     | ND                | SER          | VICE                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                              |                                              |       |                      |                                  |                                                    | 40 35<br>30 35    |                      |                                              |      |             |
| sted are the lettest into                                             |                           | nds for w<br>Bid |                          |                   |              | to associately                 | merkat. L                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | stust prices at<br>heured         |                              |                                              |       | Viste                |                                  |                                                    | louned            | Eld                  |                                              | ~-   |             |
| S. DOLLAR STRUCK                                                      |                           |                  | -                        | ~ <del>*</del>    | 111111       | United Kires                   | karı 71- 97                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                   |                              | 1045                                         | OH.   | 5.13                 | Althou Not                       | Treesury 8 03 9                                    |                   | 97                   | Office:                                      | Çng. | _           |
| tony Next Treasury 612 0                                              | 3 1000                    | 974              | 98                       | +3                | 6.87         | Vollowagen                     | hel Fin 70                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5500                              | 997                          | 10014                                        | 414   | 7.02                 | Allegroe Lei                     | C\$ 11% 97 2                                       | 100               | 1081                 | 10612                                        |      |             |
| ncan Dev Bk 7½ 23<br>Dena Province 7½ 99                              | 1000                      | 103              | 89 <sup>6</sup> 9<br>104 | 44                | 7.45<br>8.30 | World Bank                     | 0 15                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2000                              | 23%                          | 24 <sup>1</sup> 2<br>94 <sup>5</sup> 2       | 44    | 7.22<br>6.74         | British Land                     | 187 23 E<br>14 99 E                                | 150               | 987                  | 937 <sub>k</sub>                             | 4    |             |
| stra 812 00                                                           | 400                       | 0 1084           | 10315                    | +74               | 6.58         | World Bank                     | 64 00 _                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1250                              | 113                          | 1134                                         | 44    | 5.63                 | BB 8 03 2                        | 4 66 1                                             | 1000              | 9812                 | 97<br>985 <sub>2</sub>                       | ***  |             |
| ster-Wars L-An 84 0<br>ric Ned Generation 7 9                         | 1000                      | 10612            | 1054                     | +2                | 6.45         |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                              |                                              | ·     |                      | Haller 10 <sup>2</sup>           | 97 €                                               | 100               | 1044                 | 1045                                         |      |             |
| yer Verwhatsk 82s 00                                                  | 500                       | 1083             | 103                      | 44                | 6.45         | SWISS FRA                      | NC STRA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 100                               | 105lo                        | 198                                          | de    | 5.46                 | History 10-                      | ings 11.59 02 €                                    | 500               | 1144                 | 1054<br>1144 <sub>2</sub>                    | +32  |             |
| 10 mm 5 m 100                                                         | _ 1000                    | 3 91%            | Co.L.                    | 43                | 8.79         | Austria 21/2 (                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1000                              | 101                          | 1017                                         | 44    | 4.11                 | by 103 <sub>2</sub> 1            | 12                                                 | +00               | 1097                 | 11002                                        |      |             |
| CE 134 97                                                             | 150                       | 10212            | 1027                     | .1.               | 6,18         | Council Euro                   | pe 4½ 98                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                   | 1017                         | 1014                                         | 414   | 4,15                 | Jepan Dev                        | 4 £<br>Bk 7 00 £                                   | 200               | 951                  | 96                                           | 416  |             |
| CE 11, 97<br>teh Columbia 74, 02 _<br>teh Ges 0 21<br>resta 61, 97    | 1500                      | 137              | 144                      | 74                | 8.70<br>7.76 | DB 64 04                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   | 110 <sup>1</sup> a           | 11012                                        | 414   | 3.86<br>5.84         |                                  | 9½ 07 E                                            |                   |                      | 1054<br>1123                                 | 41,  |             |
| necta 6 <sup>1</sup> 2 97                                             | 2000                      | 10012            | 100%                     |                   | 6.23         | Box de Fran                    | ce 74 00 .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 100                               | 112                          | 11212                                        | -     | 5.71                 | Powergen 8                       | 7 03 E<br># 111 <sub>2</sub> 88 E<br>Power 11 01 E | 250               | 102                  | 1024                                         |      |             |
| BLING NAME HIS 543 SEE .                                              | 51                        | 1 27 1           | 93 <sup>3</sup> 8        | +10               |              |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                              | 110                                          |       | 5.15                 | Seven Tres                       | # 111 <sub>2</sub> 88 Z                            | 150               | 711                  | 1117                                         |      |             |
| und Europe 8 96<br>act Forger 8 <sup>1</sup> 2 99                     | 100                       | 101%             | 1024                     | 7                 | 627          | Iceland 7's                    | 00                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 100                               | 71112                        | 1124                                         | pla   | 5.04                 | Abber Neb                        | anal 0.96 NZS _                                    | 100               | 11242<br>AOL         | 112%<br>89%                                  | 4    |             |
| acht Fonder 812 99                                                    | 330                       | 1097             | 110                      | +1                | 8.42         | Kobe 6 1 01                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   | 100                          | 1084                                         | 44    | 4.84                 | TCNZ Fin 9                       | anal 0 96 NZ\$                                     | 75                | 1063g                | 1073                                         | •    |             |
| rmark 51 <sub>4</sub> 96<br>of Jupan Ruheay 8 <sup>1</sup> 2 04       | 1000                      | 98               | 994                      | +4                | 6.15         | Critario 6% I                  | 5.09                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 400                               | 1064                         | 1057                                         | 4     | 523<br>596           | Creck Local                      | 8 01 FFr                                           | 7000              | 93                   | 9314                                         |      |             |
| SC 61, 26                                                             | 190                       | 1025             | 103                      |                   | 6.32         | SNCF 7 04                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 450                               | 1134                         |                                              |       | 5.17                 | SNCF 94 S                        | 7 FF                                               | 4000              | 104                  | 106%                                         |      |             |
| SC 61: 26<br>C 61: 26<br>3 7 1: 28                                    | 100                       | 1017             | 1024                     | -                 | 8.34         | World Bank                     | 503                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 150                               | 101                          | 10174                                        | 414   | 4,85                 |                                  |                                                    |                   |                      | 10-1                                         |      |             |
| 94 97                                                                 | 1000                      | 1055             | 101%                     | 44                | 6.28<br>6.23 | World Bank                     | / UI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 500                               | 111                          |                                              | 41/2  | 2.77                 | FLOATING                         | RATE NOTES                                         |                   |                      |                                              |      |             |
| c de France 9 95                                                      | 200                       | 10612            | 1087                     | 410               | 6.36         | YEN STRAK                      | HIS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                   |                              |                                              |       |                      |                                  |                                                    | leaved            | Bid                  |                                              |      | C           |
| im Sank Japan S 02<br>port Dev Corp 9 <sup>1</sup> 2 95               | 500                       | 1075             | 107 %<br>108 k           | 44                | 6.50         | Belglum 5 00                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 75000<br>100000                   | 11212                        | 112%                                         | 414   | 2.09                 | Abbey Nati                       | Treasury -/4 90                                    | 1000              | 99,74                | -                                            |      | 6.          |
| Serial Need Mark 7.40 Of                                              | 1500                      | 105%             | 105%                     | 3                 | 8.40<br>6.71 | Ex-tra Bank                    | later 4% (                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 105000                            | 1114                         | 120½<br>112                                  | 44    | 216                  | Begun &                          | 97 DM                                              | 500               | 98,61                |                                              |      | 5           |
| and 6% 97                                                             | 3000                      | 1014             | 101                      | +5                | 5.30         | Inter After D                  | w 74 00 .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 300000                            | 123                          | 12314                                        | +7    | 2.29                 | BPCE -0.02                       | 99                                                 | 350               | 90.94                |                                              |      | 6,          |
| nd Motor Credit 64, 98<br>In Elec Capital 97, 98                      |                           |                  | 994<br>1084              | 44                | 6.50<br>6.37 | hay 312 D1 .                   | L E en                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 100000                            | 103                          | 1034                                         | 44    | 2.96                 | COOP 0 06                        | 60                                                 | 5000              | 99.31<br>99.21       | 99.<br>98.                                   |      | 5           |
| Fit Aren En 7% 97                                                     | 200                       | 1012             | 10212                    | 444               | 6.78         | Jacon Dev B                    | k 64 01 _                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 120000                            | 123                          | 1231                                         | 7     | 1.93                 | Credit Lyan                      | mais 🖟 00                                          | 200               | 97.17                | 97                                           |      | -           |
| Amer Dev 74, 98 -                                                     | 200                       | 1017             | 1014                     | 4                 | 6.33         | Mapon Tel T                    | d 5% 95 .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 50000                             | 1057                         | 1051                                         | _     | 1.35                 | Denmark -1                       | 198<br>198 DM                                      | 1000              | 99.67                | 99.                                          |      | 41          |
| France 54, 98<br>France 54, 98<br>67, 23<br>san Dev Bk 54, 01         | 3500                      | 11.              | 885                      | +12               | 8.15<br>7.99 | SNCF 64 00                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 12000<br>50000<br>150000<br>30000 | 1201                         | 1071 <sub>8</sub>                            | 4     | 1,20<br>2,16         | Ferro del Sa                     | £ 0.10 97                                          | 430               | 100.00               |                                              |      | 4           |
| an Dev Bk 54 01                                                       | 500                       | 70512            | 1063                     | ,I                | 6.53         | Spatn 54, 03                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 125000                            | 110                          | 1164                                         | 412   | 281                  | Privated 0 97                    |                                                    | 1000              | 100.15               | 100.                                         | 22   | 6.          |
| REAL ERIC POWER 6 2 00 .                                              | 1350                      | 32,4             | 1023                     | +14               | 7.26<br>£71  | Sweden 47                      | 38                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 150000<br>250000                  | 10812                        | 1081                                         | 414   | 1.50                 | Mil Bark In                      | 1 4 50                                             | 500               | 100.00               |                                              |      | 6           |
| Suchta Bec 7's ID                                                     | 1000                      | 103              | 103                      | 414               | 6.76         | WORD DOWN                      | 74 UZ                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2000                              | 7104                         | 118%                                         | 47    | 2.57                 | LKB Bacten-                      | Wheat Fin -4 9                                     | 5 1000            | 39.79                | 100.                                         |      | 82          |
| Suches Sec 74 02 —<br>new 71e 97 ———————————————————————————————————  | 1000                      | 1017             | 1024                     |                   |              | OTHER STR                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                              |                                              |       |                      | Libyds Book                      | Peop S 0.10 _                                      | 600               | 83.25                | 34.                                          | 25   | 6.5         |
| er Kortruibark 8 2 01                                                 | 200                       | 103              | 1037                     | 44                |              |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Fr 1600<br>S LFr 3000             | 1054                         | 105                                          | 414   | 7.50                 | New Zestan                       | g                                                  | 1000              | 99.41<br>99.67       | 98                                           |      | 65          |
| 70-Carada 74 95                                                       | 200                       | 10072            | 101                      | 4                 | 8.85         | World Bank 6                   | DO LE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1000                              |                              | 100                                          | **4   | 7.77                 | NOVE SCOUN                       | 4 39                                               | 500               | 99.76                | 98.                                          |      | 6.          |
| Lugal 54, 63                                                          | 1000                      | 1005             | 109                      | 44                | L85          | ABN Amro 6                     | 00 A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1000                              | 102%                         | 1031                                         | 4     | 8.85                 | Onbero 4 98                      | ,                                                  | 2000              | 99.47                | 99.                                          |      | 6,          |
| stec Prov 0 98                                                        |                           | 105%             | 1054                     | 44                | 6.70         | Bell Cornets                   | 7 199 C\$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 03 Fl 1500                        | 1004                         | 10212                                        | 44    | 8.64<br>B.11         | Sociale Gen                      | eraio 0 95                                         | 300               | 99.54<br>99.61       | 90.0                                         |      | 6/          |
| thec Prov 0.98<br>repury 9 <sup>1</sup> , 95<br>5 10.99               |                           |                  | 1035 t                   |                   | 6.37         | Bittish Colum                  | De 10 25 (                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 150<br>500                        | 1021                         | 102%                                         | 14    | 7.50                 | Sandark                          | Redo -Bris on r                                    | MA DOWN           | 99.95                | 100.0                                        | D4 - | 4           |
| CF 912 98                                                             | 150                       | 1007             | 109                      | 44                | 6.33         | FER 104 GS (                   | S H50 64                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 98 C\$ 1000<br>130                | 1024                         | 1021 <sub>2</sub>                            | 44    | 7.50<br>7.52         | Seeden 7 9                       | toria 0.05 98                                      | 125               | 100.02               | 100.                                         |      | 61          |
| 5 <sup>1</sup> 2 99                                                   | 1500                      | 1003             | 1005                     | 434               | 6.39         | Bet de Frenc                   | a 2 f 86 C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$ 275                            | 106 <sup>3</sup> 2           | 107                                          | 414   | 7.52                 | Sweden -                         | 6<br>01                                            | 5000              | 99.10                | 99.7                                         |      | 61          |
| 55 55 NSW 812 96                                                      | 200                       | 102              | 102%                     | 44                | 6.51<br>6.82 | Gen Bec Cap                    | 10 99                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 300                               | 10214                        | 102 <sup>5</sup> a                           |       | 7.53                 | United Kings                     | 7 96                                               | 4000              | 99.99                | 981                                          | 17 1 | 61          |
| yo Bec Power 6's 00 .                                                 | 1000                      | 35%              | 95%                      | -14               | E.ED         | Nation Tel Tr                  | od 10ñ 98 (                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 25 200                            | 1000-                        | 1025<br>1035                                 | 414   | 6.16<br>7.98         | CONVERTE                         | LE BONOS                                           |                   |                      |                                              |      |             |
| go Ber Power 61s 03 .<br>go Motropole 84s 98<br>ota Motor 51s 98      | 200                       | 10272            | 102%                     |                   | 6.33         | Ortanto 5 03                   | CS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1600<br>35 500<br>99 CS 150       | 991                          | 981                                          |       | 8.47                 |                                  |                                                    |                   | ww.                  |                                              |      |             |
| ed Kingdom 7 k 02                                                     | 3000                      | 1043             | 1045                     | +3                | 6.17<br>6.49 | Onland Hydro<br>Onlar Kontroll | 104 18 C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 500 mg (% 180                     | 1094                         | 108 <sup>3</sup>                             | +14   | 7.98                 |                                  |                                                    |                   |                      | and of                                       | _    | 3           |
| 14 Sank 85 98                                                         | 1500                      | 106              | 1091                     | 414               | 533          | Quibec Prov                    | 1012 98 C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 200                               | 107                          | 107                                          | -1-   | 7,57<br>8.08         | Bounny-Fe                        | ents 6% 00                                         | 400 5             |                      |                                              |      | 4           |
| nd Born 84, 97                                                        | 1500                      | 70432            | 1044                     | 44                |              |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 7193                              | 1083                         | 10012                                        | مله   | 7.72                 | Gold Kalgoo                      | de 7 <sup>1</sup> 2 03                             | 250<br>65 1.05    | 95 10<br>54 10       | 3 <sup>1</sup> 4 104<br>4 <sup>1</sup> 4 105 |      | 4           |
| JISCHE MARK STRA                                                      |                           |                  |                          |                   |              | Credit Lygnns                  | # 0 98 Ex                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 125                               | 102                          | 1023                                         | 4     | 8.04<br>7.42         | HEFEDT SH2                       | 95 2                                               | 500 250           | 75 10                | 24 103                                       | 4    | •           |
| 54 Force: 74 00                                                       | 3300                      | 885 <sub>8</sub> | 102                      | 4                 | LAI          | 55 10 87 Eq.                   | ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1125                              | 10514                        | 105%                                         | 474   | 6.60                 |                                  | rica 2.39 p1                                       |                   | 56 71<br>05 0        | 线 79<br>13 82                                |      | 43<br>-1    |
| man 64 98                                                             | 2000                      | 1025             | 1023                     | 44                | 5.30         | Nat 10% 03                     | Cu                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1000                              | 105 <b>7</b><br>110 <b>7</b> | 1053                                         | 44    | 7.52                 | Land Secs 6                      | 4 02 E                                             | 84 8              | 72                   | 98 97                                        | 4    | 3           |
| to France 64 00                                                       | 1500                      | 965              | 96%                      |                   | 6.91         | 5mm 9.98 S                     | 31                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1000                              | 10314                        | 1023                                         | ~4    | 7.97<br>6.54         | Lesmo 74 6                       | 8£                                                 | 90 5              | 84 8                 | 6 <sup>3</sup> 4 86                          | N.   | +13         |
| tche 31, Fin 712 00                                                   | 2000                      | 1025             | 104                      | 439               | 5.91         | United Kingdo                  | (10 원 (10 원<br>(10 원 (10 Đ | Ecu 2750                          | 107                          | 1074                                         |       | 7.58                 | Mount be Fr                      | - 1 w                                              | 200 232<br>100 23 | co 7<br>85 9         | 744 75<br>544 98                             |      | ·L          |
| 6 <sup>1</sup> 2 00<br>6 <sup>1</sup> 4 00<br>and 7 <sup>1</sup> 2 00 | 1500                      | 1011             | 101 %                    | 4                 | 537          | COMMITTER ALL                  | ata da 13 ki                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 99 AS 100                         | 105<br>117%                  | 1051 <sub>2</sub><br>1163 <sub>3</sub>       | 7     | 6.49<br>8.58         | Not Power &                      | 4 98 6                                             | _ 250 4           | 33 10                | <b>3</b> 107                                 | 3    | -0          |
| 74 99<br>Baden-Waere 64 08                                            | 3000                      | 105              | 105-                     | 4                 | 6.22<br>5.64 | BB 74 99 A                     | 7-0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | AS 1000                           | 905                          | 103                                          | مله   | 802                  | Pengal 41                        | 25 03<br>185 97<br>14 98 9                         | 50h 68.90         | 77 E                 |                                              |      | 456<br>• 77 |
| Harles Manual Ch. 60                                                  | 750                       | Dal.             | 543                      | 4                 | 7.18         | POTT HUSSE                     | 400 0 20                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | ~ 1000                            | 121                          | 125                                          | +3    | 8.63                 | Summerno B                       | ank 34 04                                          | 300 300           | - a                  | 5 B                                          |      |             |
| DOMESTING CO. TO                                                      |                           |                  | _                        | -                 | 1.15         |                                | 1 W AS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                   | 912                          | Q17-                                         | _2_   | 0.75                 |                                  | Ter 2-1 A                                          | 300 300           | -                    |                                              |      |             |
| 10 64 04                                                              | 1500                      | 2021             | 7023<br>943              | 7                 | 5.22<br>7.08 | State Bk MSM                   | 9 02 AS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 125<br>309<br>6 160<br>4 160      | 91 3 <sub>8</sub>            | 917<br>1034 <sub>2</sub><br>904 <sub>2</sub> | 4-4-4 | 9.32<br>8.98<br>9.18 | SUN Aliance                      | 74,98 £                                            | 156 :             | 20 9                 | 99 ياد                                       | d.   | 本品品         |

기가 가장 얼마들이 기술

as an unexpected round of cen-

tral bank support for the dollar

port the dollar over the past

year, this one came as a total-

surprise, and the dollar jumped

sharply as traders rushed to

The dollar finished in London at DMI.413 and Y84.645.

nearly three pfennigs and two

yen up on the levels where the

central banks first started buy-

ing dollars.
The Federal Reserve was

joined by the Bundesbank,

Bank of Japan, Bank of Canada

and nine European central

banks selling D-Marks to sup-

port the dollar, the German

currency lost ground across

the board. Against the French franc it closed at FFr3.519,

Sterling finished the day

+0.1453 716 - 942 +0.4861 967 - 267 +0.0741 596 - 721

+0.0262 758 - 891 +0.0505 937 - 994 +0.0208 432 - 461 +3.068 611 - 976

363.794 +3.066 811 - 976 : 0.9784 +0.0027 776 - 791

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1.5883 . 1.4400

2.1748 9.7934 1.5886

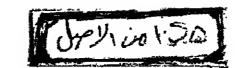
Ecu SDR† - 1
Americas (Peso)
Brazil (PS)
Canada (CS)
Mexico (New Peso)

With most European central

writes Philip Gawith.

cover short positions.

MARKETS REPORT



**CURRENCIES AND MONEY** 

TREDAY JUNE 1

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ORDSHA MURIS COME stoly be repeated A government official reign demand for Plan elecom was assessed ely UK and US turns & gr. telecommunication of military bolding

the theretal continue the process of the last EK 8-21 : 20-10 - 10-2 The fareign to transcribers Londonia .. and Late 1 ... विकेत्राय वेमल १८१.८७ स्ट Medica to the state age. AVERGRACIO . CEI TANGE MOM Butter : 1-11-12 and debbt en tas suite

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Park Andrews

**BASE LENDING RATES** 

#### Central bank support catches market napping

Currency speculators were left slightly firmer on a tradalicking their wounds yesterday against the D-Mark more than offsetting losses against the dollar. It finished in London at caught the market napping, DM2.2447 from DM2.2241, and Unlike other efforts to supat \$1.5886 from \$1.6003.

In Tel Aviv, the Israeli shekel closed the daily tender at 3.005 shekels per dollar against 2.995 on Tuesday amid fears of e long-term devaluation Earlier, the government had amounced various technical changes to the foreign exchange system.

■ The repeated failures of central bank efforts over the past year to arrest the dollar's slide have given intervention e bad name. Yesterday, however, was that rare event - bats off all round to the US treasury.

| E Pour | d in New Yor | k               |
|--------|--------------|-----------------|
| May 31 | Lategt       | — Prev. close — |
| £ apot | 1.5875       | 1,6030          |
| १ गर्ध | 1.5872       | 1.8025          |
| 3 mth  | 1.5855       | 1.6010          |
| 1 yr   | · 1.5710     | 1.5855          |
| 5 .5   |              |                 |

15.8780 15.8290 46.2350 45.6010 8.8188 6.8918 6.9570 6.8600

7,9356 7,8127 2,2596 2,2238

366.075 358.733 · 0.9791 0.9728 · 2613.29 2587.54 46.2350 45.6010

+0.0027 776 - 781 0.9791 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.9729 0.972

+0.009 155 - 167 1,2196 1,1988 1,2182 -0.1 1,2151 0.3 1,2074

2.2071 -0.0126 057 - 085 2.2085 2.2086 2.2083 -1.2 2.2129 -1.1 2.2206 -0.6 12.2879 -0.0909 836 922 12.4372 12.2823 12.2839 0.4 12.2745 0.4 12.2076 0.7 49.9202 -0.3897 961 - 423 50.5310 46.8230

While economists were quick weighted basis with its gains to chorus that the intervention would count for naught if not backed up by suitable policy changes, there was no arguing about the short-term success of the move.

The timing of the interven tion would appear to have been more significant than the quantum. Estimates from banks involved in executing Fed orders suggest that the total support effort may have amounted to around \$1hn, split equally between the Fed and the other banks.

Reports from New York suggested that the Bank of France might have intervened more heavily, and longer, than the other European banks. Concerns ebout the commitment of the new French government to e strong franc have seen the currency settle at lower levels in recent weeks. was that it came early during

109.7 110.1 67.3

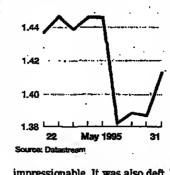
15.78 1.8 15.7127 1.8 - - 48.0427 1.7 45.9127 1.7 45.3127 1.7 6.7689 -0.4 8.7637 0.1 6.7253 0.5

7.905 -1.4 7.9162 -1.0 7.8733 2.2413 1.8 2.2328 2.1 2.1905

0.978 0.6 0.9778

3.9570 3.9084 2.3934 2.3882 2.3985 -2.5 2.4061 -2.4 2.4224 -1.3

Against the D-Mark (DM per \$)



in the sense that the Fed intervened just when the market was looking ready to test key technical levels et DM1.38 and

Had the dollar fallen below these levels, analysts believe that any remaining positive sentiment in favour of the US New York trading, when the currency would have been irremarket is likely to be most trievably shattered. As it is, the main purpose of the intervention would appear to have been to place a floor under the dollar before the gains of the rally earlier last month were totally dissipated.

The intervention was also conspicuous for being pro-active. Previous efforts have coincided with sharp falls and heavy selling. Although the dollar was creeping towards important support levels, it hed been stable since falling sharply last Thursday.

Scepticism about the dollar's recovery prospects remains too deep-seated for yesterday's any fundamental re-assessment ebout the currency's outlook. That said, it was sufficiently different in character and execution from previous efforts to give the market serious pause for thought.

If it testifies to e changed attitude on the part of the edministration to the dollar e further round of intervention would support to this thesis -

the time for reassessment will have arrived.

Meanwhile, the round of support for the dollar has intensi-fied speculation that the Bundesbank council might today ease the repo rate. This would bolster the dollar'e rally and simultaneously ease the pressures German industry is suffering from a strong D-Mark.

It has also intensified speculation about what tomorrow's US employment report will bring. In recent weeks weak economic statistics have driven the dollar lower.

■ The Bank of England in its daily operations provided UK money markets with £275m late assistance after forecast-

| May 31  | 2                 | s                 |
|---------|-------------------|-------------------|
| Hungary | 193,859 - 194,267 | 122,070 - 122,270 |
| lran .  | 4767.00 - 4764.30 |                   |
| Kassesk | 0.4721 - 0.4727   | 0.2873 - 0.2975   |
| Poland  | 3.7195 - 3.7294   | 23420 - 23470     |
| Rucela  | 7932.26 - 7932.58 | 4992.00 - 4995.0  |
| UAE     | 5.8325 - 5.8370   | 3.6736 - 3.6734   |

| May 31                |         | Closing<br>mid-point | Change<br>on day | Bid/offer<br>spread | Day's<br>high  | iow low      | One mo  | onth<br>%PA | Three me<br>Rate | %PA      | One ye     | %PA     | J.P Morga<br>Index |
|-----------------------|---------|----------------------|------------------|---------------------|----------------|--------------|---------|-------------|------------------|----------|------------|---------|--------------------|
| Europe                |         |                      |                  |                     |                |              |         |             |                  |          |            |         |                    |
| Austris               | (Sch)   | 8.9355               | +0.1634          | 313 - 387           | 9.9810         | 6.7405       | 9.9235  | 1.4         | 8.9035           | 1.3      | 8.800      | 1.3     | 107.2              |
| Belgium               | (BFr)   | 29.0250              | +0.516           | 200 - 300           | 23.1100        | 28.4670      | 26.989  | 1.5         | 28.94            | 1.2      | 28.835     | 0.7     | 109.9              |
| Denmark               | (DKr)   | 5.5182               | +0.0867          | 158 - 205           | 5.5436         | 5.4140       | 5,5217  | -0.6        | 5.5287           | -0.8     | 5.5537     | -0.6    | 109.4              |
| Finlend               | (FM)    | 4.3325               | +0.0481          | 294 - 355           | 4,3656         | 4.2731       | 4.3307  | 0.5         | 4.3275           | 0.5      | 4.327      | 0.1     | 86.0               |
| France                | (FFr)   | 4.9709               | +0.0679          | 705 - 713           | 4,9339         | 4.8785       | 4.9778  | -1.7        | 4.9893           | -1.5     | 5.0094     | -0.8    | 107.8              |
| Germany               | (DM)    | 1.4130               | +0.0231          | 125 - 135           | 1,4195         | 1.3850       | 1.4112  | 1.5         | 1,4074           | 1.6      | 1.394      | 1,3     | 111.8              |
| Greece                | (Dr)    | 229.010              | +3.59            | 960 - 060           | 230.010        | 223,400      | 231.01  | -10.5       | 234.76           | -10.0    | 250.51     | -6.4    | 67.5               |
| ireland               | (15)    | 1.6238               | -0.0184          | 230 - 245           | 1.6479         | 1.6210       | 1.6245  | -0.5        | 1.6261           | -0.9     | 1.6383     | -0.6    |                    |
| taly                  | (L)     | 1639.50              | +10.5            | 800 - 100           | 1642,10        | 1814.25      | 1648    | -4.6        | 1658.25          | -4.6     | 1715       | -4.7    | 86.9               |
| gruodmeatu            | (LFr)   | 29.0250              | +0.516           | 200 - 300           | 29,1100        | 28.4670      | 28,989  | 1.5         | 28.94            | 1.2      | 28.835     | 0.7     | 109.6              |
| Netherlands           | (FI)    | 1.5830               | +0.0281          | 827 - 832           | 1.5867         | 1.5503       | 1.5808  | 1.7         | 1.5764           | 1.7      | 1.5615     | 1.4     | 109.4              |
| Norway                | (NKr)   | 6.2760               | +0.079           | 735 - 785           | 6.3160         |              | 6.2787  | -0.1        | 6.2715           | 0.3      | 6.2615     | 0.2     | 98.3               |
| Portugal              | (Es)    | 148,860              | +2.27            | 800 - 920           |                | 145,240      | 149.31  | -3.9        | 150.26           | -3.8     | 165.61     | -4.5    | 95.9               |
| Spain                 | (Pta)   | 122,675              | +1.345           | 600 - 750           |                | 120.890      | 123.015 | -3.3        | 123.815          | -3.7     | 129        | -4.3    | 80.3               |
| Sweden                | (SKr)   | 7.3410               | +0.0704          | 372 - 447           | 7.3730         | 7.2188       | 7,3573  | -2.7        | 7,3925           | -2.8     | 7.5775     | -3.2    | 76.7               |
| Switzerland           | (SFr)   | 1.1675               | +0.022           | 670 - 680           | 1.1740         | 1.1425       | 1.1648  | 2.7         | 1.1595           | 2.8      | 1.1396     | 2.4     | 113.1              |
| JK.                   | (53)    | 1.5886               | -0.0117          | 881 - 890           | 1.6080         | 1.5852       | 1.5882  | 0.3         | 1.5885           | 0.5      | 1.5713     | 1.1     | 83.4               |
| Ecu                   | 1-4     | 1.3063               | -0.0194          | 060 - 065           | 1.3317         | 1.3040       | 1,3061  | 0.2         | 1.3057           | 0.2      | 1.3015     | 0.4     | 55.4               |
| SDRt                  | _       | 0.63468              | -0.010-          | - 555               | 1,0017         | 1,0040       | (       | 0,2         | 1.500            | 0.2      | 1,0010     | u       | _                  |
| Americas              | _       | 0.00-00              | _                | _                   |                | _            |         | -           |                  | -        | _          | -       | •                  |
| Argentina             | (Peso)  | 0.9999               | -0.0001          | 998 - 999           | 0.9999         | 0.9998       |         | _           |                  | _        | _          | _       |                    |
| अनुसारतात<br>अनुसारता | (PIS)   | 0.9065               | +0.002           | 060 - 070           | 0.9070         | 0.9040       |         |             | •                | -        |            |         | _                  |
| Canada                | (CS)    | 1.3691               | -0.0023          | 688 - 693           | 1.3730         | 1,3660       | 1.3709  | -1.6        | 1.3738           |          | 1,3856     | -12     | 80.8               |
|                       | Peso)   | 6.1650               | -0.015           | 500 - 890           | 6.2100         | 8,1800       |         |             | 8.1704           | -1.4     | 6,1753     | -0.2    | ou.o               |
| USA (148W             |         | D. 1034              | -0.013           | 500 - 690           | 62 100         | a. 1000      | 6,1673  | -0,4        | 6.1704           | -0.4     | 0,1/33     | -0.2    | 89.0               |
| Pacific/Middle        | (5)     | ddan -               | -                | -                   | •              | •            | -       | •           | •                | -        | -          | -       | 69.0               |
| vetala                | (AS)    | 1.3893               | +0.0023          | 889 - 899           | 1,3902         | 1,3720       | 1,3909  | -1.4        | 1,3948           |          | 1,418      | -1.9    | 78.4               |
|                       | (HKS)   | 7,7353               | -0.0002          | 348 - 358           |                |              | 7.7335  | 03          |                  | -1.6     | 7.7488     |         | 10.4               |
| Hong Kong             |         |                      |                  |                     | 7.7358         | 7.7348       |         |             | 7.733            | 0.1      |            | -0.2    | -                  |
| ndia                  | (Ps)    | 31,4250              | +0.005           | 200 - 300           | 31,4500        |              | 31,505  | -3,1        | 31.75            | -4.1     | -          | •       |                    |
| srael                 | (SHK)   | 3.0192               | +0.0228          | 167 - 217           | 3.0352         | 2.9937       |         |             |                  |          |            | . :     |                    |
| lapan                 | m       | 84.6450              |                  | 000 - 900           | 85.3500        |              | 84,31   | 4.7         | 83,385           | 5.0      | 80.67      | 4.7     | 173.3              |
| Malaysia              | (MS)    | 2,4650               | -0.001           | 645 - 655           | 2,4685         | 2,4608       | 2,463   | 1.0         | 2.4608           | 0.7      | 2.455      | 0.4     | -                  |
| Vew Zealand           | (NZS)   | 1,5053               | +0.0074          | 047 - 083           | 1.5066         | 1.4873       | 1,5087  | -2.7        | 1.5155           | -2.7     | 1,5346     | -2.0    | -                  |
| hilipines             | (Peso)  | 25.8000              | -0,025           | 000 - 000           | 25,9000        |              |         | •           |                  | -        |            |         |                    |
| Saudi Arabia          | (SPO    | 3.7507               | •                | 505 - 509           | 3.7510         | 3.7505       | 3.7517  | -0.3        | 3,7538           | -0.3     | 3.7657     | -0.4    | -                  |
| Singapore             | (555)   | 1.3937               | +0.0032          | 932 - 942           | 1.3997         | 1.3901       | 1,3884  | 4,5         | 1.3802           | 3.9      | 1,3537     | 2,9     |                    |
| South Africa          | (A)     | 3.6798               | +0.01B5          | 790 - 805           | 3.6810         | 3.6620       | 3.7008  | -6.8        | 3,7518           | -7.8     | 4.0078     | -8.9    |                    |
| South Korea           | (Won)   | 757,850              | -2.1             | 800 - 900           | 759.900        | 757,800      | 760.85  | -4.8        | 764.35           | -3.4     | 782.85     | -3.3    |                    |
| newler                | (15)    | 25.5780              | +0,0037          | 720 - 800           | 25,5945        | 25.5500      | 25,596  | -0.9        | 25,636           | -0.9     | -          | -       | -                  |
| hailand               | (131)   | 24,6800              | +0.083           | 700 - 900           | 24.6900        | 24,5900      | 24.701  | -1.0        | 24.7275          | -0.8     | 24.815     | -0.5    |                    |
| SDR rate per S        | for May | 30 Bidfoller         | sponeris in      | the Dollar Sou      | or totale when | w onto the ! | -       | armal :     | Name For         | word men | c am not c | Larry 1 |                    |

#### 4.00 8.00 4.00 4.00 week ago week ago week ago # \$ LIBOR FT London Interbenk Fixing week ago US Dollar CDs week ago Beigian Franc Darleh Krone D-Merk Dutch Guilder French Franc Portuguese Esc. Spanish Pasetz Starting Swiss Franc Can Doller 51<sub>2</sub> - 53<sub>8</sub> 73<sub>4</sub> - 75<sub>8</sub> 41<sub>6</sub> - 41<sub>6</sub> 45<sub>8</sub> - 41<sub>6</sub> 7 - 57<sub>8</sub> Est. vol. Open int. Low +0.18 +0.16 +0.12 92.68 93.62 93.93 36,405 93,45 93.53 93.86 93.45 93.80 EE MONTH EUROMARK FUTURES (LIFFE)\* DM1m points of 100% Sett orice Chance Law Est, vol Open int. +0.01 106601 ■ THREE MONTH RUROLINA INT.RATE FUTURES (LIFFE) L1000m points of 100% Sett price Hìch Low Est, vol. Open int. 89,58 89.57 16326 7708 89,54 89,51 PO 54 MONTH EURO SWISS FRANC FUTURES (LIFFE) SFrim point Low Est, vol 96.65 96.63 96.71 96.73 96.73 13757 96.59 96.48 MONTH ECU FUTURES (LIFFE) Eculm points of 1009 6947 5978 93.81 93.87 . LIFFE knowes also traded on APT EUROLIRA OPTIONS (LIFFE) L1000m points of 100% **PUTS**

JF Pacific Warrant Company S.A.

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kenham Road, Beckenham, Kent BR3 4TH, England.

the Company for interest on any tedemption montes.

tion, such documents can be collected at the following

Banque Internationale à Lavembourg 69, route d'Esch. L-1470 Luvembourg

Telephone no.: (352) 4590 3438

Contact person: Mr. Jesse Berdy

Bourne House, 34 Beckenham Road Beckenham, Kem 6R5 4TH, England Telephone ao.: 1441 0181 639 2189

Facsimile no.: 1441 D181 639 2190 Contact: General Enquiry

JF PACIFIC WARRANT COMPANY S.A.

Barclays Registrars

On Behalf of the Board

A.H. Smith

Chairman 1st June 1995

ANNOUNCEMENT

Pursuant to the Articles of Incorporation of the Company, all the outstanding non-voting Redeemable Preference Shares ("Preference Shares") are to be redeemed by the Company on 30th June 1995 at a redemption price of USD 95 per Preference Share. A cucular will be sent to holders of registered Preference Shares together with a form of payment instruction.

Holders of Preference Shares are requested to lodge the certificates for registered or bea

rectarge or reference Shares with provision of their full name, address, contact numbers, bank account details (if applicable) and instructions for payment of redemption mones by cheque or by telegraphic transfer, by 20th June 1995 at the specified offices of the paying agents for the Company, Banque Internationale a Linaembourg, clo First European Transfer Agent, at 253, route of Arlon, 1-1150 Leavembourg or Barclays Registrars. Bourne House,

In the case of Preference Shares for which the certificates are ledged to the paying agents

after 20th June 1995, the rederaption monies will not be paid on the redemption date. However, payment will be made on the earliest practicable date after the receipt of the certificates. Such holders shall not have any claim against the Company for interest on

In the case of registered Preference Shares for which no certificates and/or no instructions

are received by 30th June 1995, cheques will be sent to the registered address of each holder on the share register at the close of business on 30th June. 1995 at the holder's risk on the earliest practicable date thereafter. Such holders shall not have any claim against

If holders of Preference Shares wish to obtain the currelar and form of payment instruc-

First European Transfer Agent

Hong Konz

Services Limited

283, route d'Arlon, L-1150 Luxembourg

Telephone no . (352) 25 47 01 258 Facsamile no . (352) 25 47 01 500

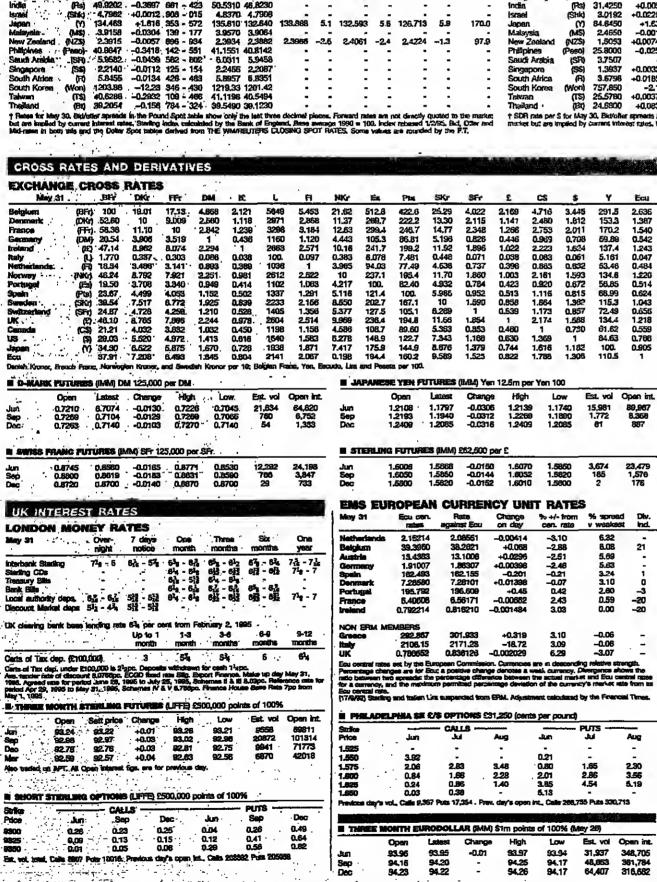
Contact person: Mr François Honore

Jardine Fleming Investment Management

Services Limited
47th Floor, Ludrue House
1 Communght Place, Central, Hong Kong
Telephone no. 1852 | 2843-8863
Facsimule no. 1852 | 2524-8649

WORLD INTEREST RATES

MONEY RATES



94.39 94.61

0.03

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0.10 0.04

0.37

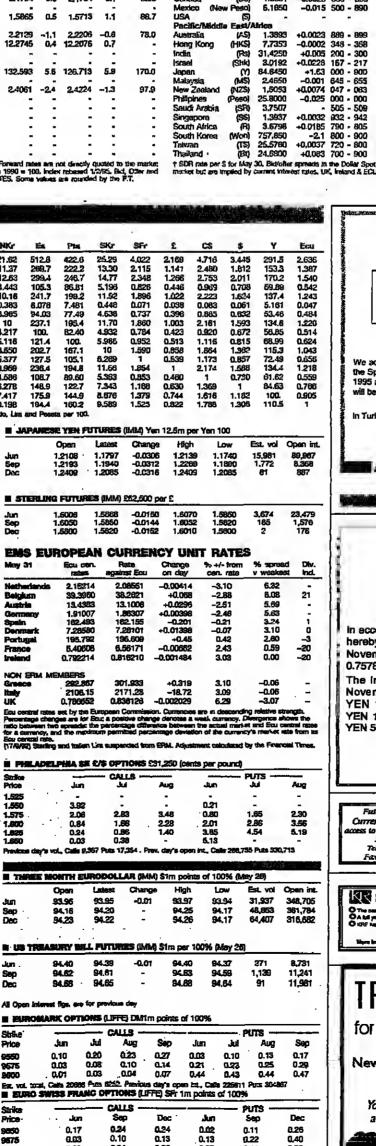
0.41

Price

0.03

0.17 0.03

0.02





We advise Holders of Savinge Shares that we have reason to believe that the Special Meeting for Holders of STET Savings Shares called for June 5, 1995 at 11.00 a.m. (first call) and for June 8, 1995 same time (second call) JUNE 7, 1995 AT 11.00 A.M. (THIRD CALL)

In Turin, at the Sala Congressi, at Via Bertola n. 34. The common Representative of STET savings shareholders Prof. Carlo Pasteris





#### **EUROPEAN INVESTMENT BANK** YEN 35,000,000,000 **FLOATING RATE NOTES 1992-2008**

In eccordance with the provisions of the above Notes, notice is hereby given that for the six months from May 31, 1995 to November 30, 1995 the Notes will carry an interest rate of 0.75781 percent per annum.

The Interest payeble on the next Interest payment date, November 30, 1995 will be YEN 3,852 in respect of each YEN 1,000,000 Note, YEN 38,522 in respect of each YEN 10,000,000 Note and YEN 192,810 in respect of each

> Fiscal and Principal Paying Agent BANQUE INTERNATIONALE BILITA

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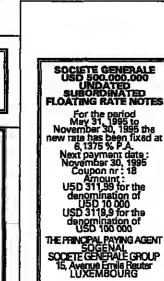
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#### LEGAL NOTICE

o OUSES of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
OUSES MOATHOUSES PLC

OUTENS MOAT HOUSES PLAC

AND

IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of
the High Court of Justice (Chausery Division)
dated 17 May 1995 confirming the cancellation
of the share premium account and reduction of
the share capital of the above-named Company,
from £289,920,923 to nil (subsequently
increased to £315,000,000) and the Mannie
approved by the High Court showing with
respect to the expiral of the Company as altered
the several particular required by the abovementioned Act were neglistered by the Registrar
of Companies on 18 May 1995.

Dated | June 1995

65 Fleet Street Landon EC4Y 1HS Solicitors for the Company

#### **PERSONAL**

PUBLIC SPEAKING Training and speech writing by award warning speaker, First lesson free. Tel (01923 852288)

244 (157) 73 123 94 (256) 151 (157) 45 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (157) 151 (15

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VE INDUSTRIES HEALTH GARE - CONT.

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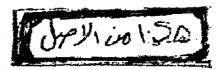
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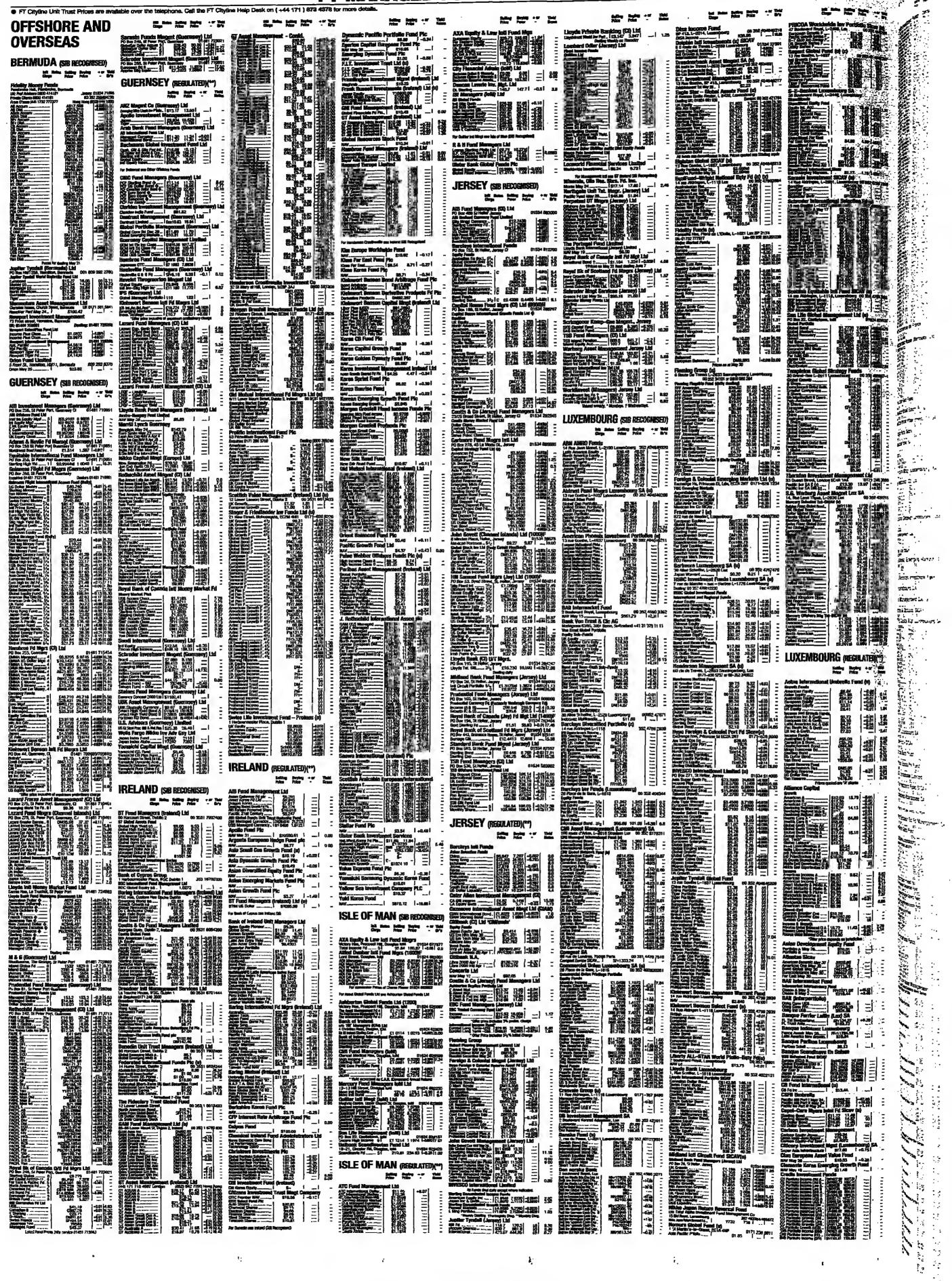
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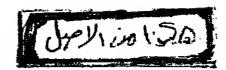
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#### LONDON STOCK EXCHANGE

#### Footsie gains ground after currency turbulence

The UK equity market emerged mtact and in good form after a tur-bulent session that saw the dollar and sterling surge ahead after a bout of central bank intervention

on behalf of the US currency.
The intervention, which took place just before Wall Street opened, took foreign exchanges and hond and equity markets com-pletely by surprise, causing confusion for some time.

It came after news that the US gross domestic product for the first quarter had been revised downwards to show an annualised 2.7 per

This was the slowest increase for 18 months and yet another indication that the economy is slowing, raising the possibility that the Federal Reserve may cut US interest rates to prevent a "hard landing".

Wall Street initially edged ahead on the news, before slipping back and then staging a strong upward move. Taking its cue from the US, the Footsis began to move ahead and eventually closed in good heart. The FT-SE 100 settled a net 9.5 higher at the day's best of 3,319.4.

The Mid 250 index delivered a robust performance, ending 11.2 firmer at 3,653.8, its 1995 high. Sentiment in London was helped

late in the session hy a strong hy a strong performance by bonds, rumour that this morning could see bunds and gilts and following news more UK corporate activity. Talk yesterday suggested that long run-ning merger discussions between Fisons and Medeva will result in terms being announced shortly. Medeva shares were exceptionally strong and marketmakers were reluctant to deal in large size towards the close.

Also helping sentiment in London and on Wall Street were stories that the US/Japan trade talks would he resolved soon.

London began the session on a quietly firm note, with the FT-SE 100 up some eight points shortly after the opening, again stimulated

that British Aerospace had relaunched its bid for VSEL, the warship manufacturer.

With little institutional interest across much of the market, however, prices began to lose ground and the slide was increased in mid-morning when the Footsie future fell to a discount to the cash market. At its worst, the 100 index was down 8.5. The market then began to recover, and had edged back into plus territory when the central bank intervention became known.

The strength of the dollar, plus the Japan/US trade talks hopes, for 59 per cent. Customes triggered hig support for stocks on Tuesday fell to £952m.

alternative to £16, fell 6 to 524p

in 3m turnover. GEC closed 21/2

higher at 320p in 1.7m traded.

VSEL finished 44 above the

value of the BAe all-share deal

at 1790p, up 4. GEC has until June 13 to

respond. VSEL is seen as the

key stepping stone in the

defence contracting ambitions

of both BAe and GEC. Should a

full scale bid auction develop.

most analysts expect the win-

ning hand to exceed £20, with

some estimates going as high

Channel tunnel operator

Eurotunnel weakened 6 to

182p. The stock appeared to ignore the optimistic tone of

the London annual meeting,

choosing instead to take its cue

from heavy selling in Paris. where some 8.5m shares were such as HSBC and Cable and Wireless, which topped the FT-SE 100 performance league.

On the downside, Forte were unsettled by talk that a block of 5m shares was on offer, while Lloyds Bank suffered from widespread selling pressure amid concerns about a squeeze on mortgage lending.

Marketmakers were optimistic about short term potential in London, pointing to positive signals on the charts where 90 and 200-day moving averages were said to herald significant gains.
Turnover totalled 589.7m shares,

with non-Footsie stocks eccounting for 59 per cent. Customer business



#### **Forecast** shifts hit Lloyds

High street bank Lloyds tumbled sharply as worries over mortgage lending coincided with talk of imminent hig profits downgrades.

Analysts have been busy trying to get a steer on their predictions ahead of Lloyds' interim closed season which starts today. The current range of figures

is said to show a challenging £350m spread between the highest and lowest estimates. The spread reflects disagreement in the market over whether lending has picked up or fallen. Mr Martin Hughes of Credit

Lyonnais Laing said: "The range represents a 17p difference in earnings per share estimates and a 170p spread on the share price. Lloyds is a hig bet on the downside."

Pessimists received further grist from the latest national mortgage figures, which showed a fall of more than 10 per cent in April against the same period last year.

Finally, there was talk that one big seller had tried to place stock with several marketmakers and the competition created by the split order had forced the share price down further. Lloyds shares finished the day 11 cheaper at 654p, the second higgest percentage fall on the FT-SE 100.

Oil major Shell Transport

pany meeting. At 6 hlg presentation to analysts and institutional inves-tors in London yesterday, the company apparently hinted that it might be prepared to give some of its cash mountain back to shareholders. Shell has £8.3bn gross cash and £1.3bn net cash in its coffers.

Also, suggestions that current chemicals prices were even stronger than most analysts had believed prompted current-year forecast upgrades. The range of 1995 profits esti-mates is between £4.3bn and £4.7bn, Mr John Toalster said that he was raising his forecast by £400m to £5bn. Shell moved

up 4 to 772p.

Mohile phones group Vodafone was the most actively dealt Footsie component, with 9.9m shares changing hands, as investors took a hard look at the stock ahead of Tuesday's results statement.

A clear two-way pull developed. Concerns, in view of Wall Street's volatility, about US investors owning as much as 45 per cent of the stock, were offset hy an upbeat note on the sector from NatWest Securities. This reiterated the house's positive stance on Vodafone. The shares closed a penny easier at 206p.

Boosted by a near 2 per cent advance by the Hong Kong stock market and talk of progress in the Japanese-US trade negotiations, Cable and Wireless gained 8 at 422p in 7.8m turnover. Sentiment built up against BT's new pricing strategy and the shares retreated 4 to 3941/sp.

Bid candidate Medeva leap ignored the trend of weaker forward in late trading as talk crude oil prices as the stock whipped through the market

responded to a positive com- that negotiations with Fisons 3.3 shares but raising the cash would reach some sort of con-

The shares, steady at 238p for most of the day, surged ahead in the last half-hour of dealing to finish 71/2 up at 245%p with 2.4m traded, unusually high for the stock. Fisons softened 2 to 175p.

SmithKline Beecham, the pharmaceuticals stock most heavily exposed to US investors, advanced 8 to 509p in the "A"s as word leaked into the market that one leading US house felt the sector as a whole had been oversold.

The race to become top UK defence contractor finally got under way with British Aerospace improving the cash element within its offer for submarine maker VSEL, and engineering analysts to a man betting beavily on an early

rejoinder from bid rival GEC. At the agm, the company British Aerospace, which is sticking with its initial offer of the Dover-Calais heavy goods

as £23.

#### FINANCIAL TIMES EQUITY INDICES

|                                          | May 31                  | May 30     | May 26             | May 25     | May 24    | Yr ago       | "High   | Z.OW   |
|------------------------------------------|-------------------------|------------|--------------------|------------|-----------|--------------|---------|--------|
| Ordinary Share                           | 2507.7                  | 2506.2     | 2508.3             | 2513.2     | 2517.3    | 2321.2       | 2517.3  | 2238.3 |
| Ord. div. yield                          | 4.26                    | 4.26       | 4.26               | 4.24       | 4.22      | 4,32         | 4.73    | 4.20   |
| P/E ratio net                            | 15.88                   | 15.87      | 15.88              | 15.91      | 16.21     | 18.59        | 21,33   | 15.87  |
| P/E ratio nit                            | 15.64                   | 15.63      | 15.64              | 15.67      | 15.90     | 18.22        | 22.21   | 15.63  |
| 'For 1995, Ordinary<br>FT Ordinary Share | Shere ind<br>index beed | dista 1/7/ | ompilation<br>36., | : high 271 | 3.6 202/9 | 4; tour 49.4 | 26/5/40 |        |

Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2511.2 2509.0 2500.0 2500.1 2501.8 2502.9 2503.6 2498.9 2505.2 2512.4 2495.8 May 31 May 30 May 26 May 25 May 24 Yr ago SEAQ bargains Equity turnover (Emit) Equity bargainst Shares tracked (milit) 20,303 952.7 29,164 1674.8 23,131

| London ma        | rket da | ta             |       |                    |       |
|------------------|---------|----------------|-------|--------------------|-------|
| Rides and talks' |         | 1985 Highs and | lows, | LIFPE Equity optio | ne    |
| Total Fitses     | 765     | Total Highs    | 166   | Total contracts    | 20,43 |
| Total Felis      | 457     | Total Lows     | 32    | Cath               | 11,9  |
| Same             | 1.644   |                |       | Puts               | 8.51  |

#### INDOSUEZ PACIFIC GOLD FUND INDOSUEZ JAPAN REGIONAL GROWTH FUND

(Referred to in the Trust Deeds as ISA Pacific Gold Fund and ISA Japan Regional Growth Fund respectively)

Notice of increase of management fees

NOTICE is hereby given to holders of Bearer Units in the above Unit Trusts that, pursuant to a power contained in the Trust Deed for each Trust, the Managers have today given notice in writing to the Trustee of each Trust that the management fee charged on each Trust will he increased from 1.2% per annum to 1.85% per annum. This increase will take effect on 1 September 1995. This notice shall be deemed to have been served today on all holders of Bearers Units and shall have the effect of causing the requisite three months notice of such change in the

Notice of this increase in the management fee has also been served today on all holders of Registered Units in the Unit Trusts by way of letter posted to their respective registered addresses.

management fee being to run.

Any holder of Bearer Units in the above Unit Trusts requiring further information should contact the Managers at Suite 2606-2608, One Exchange Square, Hong Kong.

By order of the Managers INDOSUEZ ASSET MANAGEMENT ASIA LIMITED 31 May 1995



#### BCEN-EUROBANK

April 12, 1995. This Meeting was chaited by Mi Bernard Dupuy, Chairman of the Supervisory Council, with the participation of Mrs Tariana Paramonova, Chairman of the

The Shareholders approved the Management Report of the Executive Board, as well as the anomal financial statements of the Company and of the Group for the year ended December 31, 1994.

During 1994, BCEN-EUROBANK acquired capital stakes in two CIS banks as follows: 19°c of international Moscow Bank | Moscow - Russia), a maintentional company controlled by large western banks

30% of Kramds Benk (Almaty - Kazakhstan), one of the leading has BUEN-EAROR NEE remained active to French export financing, either managing or participating in export loans involving various countries, guaranteed by CUFACE or by leading banks of the countries revolved.

These actions, among others, reflect the policy of interastional ex-ted by the Bank in 1994.

BCEN-EUROBANK increased its business relations with maint

The banking sub-idiary of BCEN-EINGMANK in Moscow, growth in 1994 and is now among the leading Russian banking the statement of the control o

The financial situation of Bern-Europeans is unterfactory. Total assets on a consolidated bases at December 31, 1904 represented FRF 14,485 billion compared to FRF 14,156 billion at December 31, 1903. Total provisions on country reals reached 60% in conformity with the re-

The 1994 (immedia) year enabled the Bank to strengthen its expiral base which increased from FRF 3.4 to 3.7 billion. Thus amount uncludes paid up Capital of 1.2 billion. General Reserves of 0.4 billion and price partnersport of 0.2.1 billions. Consequently, the European solvency ratio is now at 45% compared to a minimum required ratio of 3%. The Shareholders appointed as new member of the Supervisory Council of the Bank the

Company Almary Rivers Sakha Co. Ltd. Mirm. the leading p 79-81 Bid Haussmann 15008 PARIS Societe Agonyme a Directorie et Conseil de Survei

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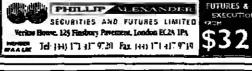


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vehicle trade and 25 per cent of passenger traffic, and stated categorically that the company, which has borrowings of £8bn, would not be seeking fur-

ther equity financing. The annual meeting of British Gas attracted the private investor fury that everyone had expected. However, the board got the support of the institutional shareholders and the shares gained 3 at 302%p. Retailer Kingfisher was one

of the day's leading market features after publishing a trading update. The group said sales in the 13 weeks to the end of April had risen by 5 per cent although losses at Comet, its electrical retailing subsidiary,

are expected to be higher than at the same stage last year.

Market watchers had expected the stock to retreat on the news from Comet. However, the shares moved steadily ahead and closed 4 up at 457p. with one of the leading marketmaking firms said to have been the main buyer of the stock.

As the session ended the early huyer was believed to still have a large line of stock on offer, a factor that may depress the shares over the next few sessions.

Volume was 5.5m shares,

Analysts were also cautious on Kingfisher and several brokers vesterday moved to downgrade hoth interim and full year profit expectations. The list included BZW, where Mr Tony Shiret reduced his interim profits forecast by £3m to £77m and trimmed the full year estimate by £5m to £290m. "to reflect the higger than expected first half loss at Comet of about £12m". He remains a seller of the shares.

Expansion hopes boosted tour operator Airtours and the shares appreciated 9 to 442p. Light profit-taking in Thorn EMI saw the shares surrender

UK hotels group Forte. The

shares gave up 4 to 231p after 3.8m being traded, making it the worst performing stock in the FT-SE 100 Index. A line of around 5m shares had not yet found a home by the end of the

Solder and roofing group Kelsey Industries continued to gain following Tuesday's strong interim results. The shares jumped 30% to 455p for a two-day solvance of 22 per

Dealers cited general investment buying when trying to explain the advance in retailing group House of Fraser. The shares moved forward 5 to 158p, with 2.7m having been dealt in the stock by the close

South West Water advanced 11 to 540p after Kleinwort Benson turned positive, moving from a hold to a huy stance. The securities house believes the stock to be attractive on yield considerations.

Steady huying of Severn Trent saw the stock move ahead a further 7 to 574p, with

#### LONDON RECENT ISSUES: EQUITIES

| fecture<br>price |      | CEP            | 19   |      |                   | Ctoss |     | Net   |      | Gra | P/E  |
|------------------|------|----------------|------|------|-------------------|-------|-----|-------|------|-----|------|
| P                | UP   | ( <u>Cur.)</u> | High | COM  | Stock             | P     | +/- | div.  | CON. | yid | _net |
| _                | P.P. | 131,4          | 733  | 689  | Bett Aero Cap Uts | 718   | -5  | _     | _    | -   |      |
|                  | F.P. | 143.7          | 105  | 100  | Dumpet An Div     | 105   |     | MB.2  | -    | 7.4 |      |
| _                | F.P. | 29.7           | 105  |      | Do. Monthly Div   | 105   |     | M5.92 | -    | 7.0 |      |
| -                | F.P. | 25.2           | 103  | 98   | Feebury Workhwide | 101   |     | -     | -    | -   |      |
| 190              | F.P. | 433.2          | 187  | 1654 | General Cable     | 171   | +3  | -     | -    | -   |      |
| 80               | F.P. | 14.6           | 98   | 80   | Gus Carter        | 82    | -1  |       | -    | -   | 20.  |
| 3                | F.P. | 2.23           | 312  | 312  | Langdons Foods    | 312   |     | Hv0.1 | 26   | 3.5 | 13.  |
| -                | F.P. | 13.0           | 650  |      | Cryx India        | 650   |     | -     | -    |     |      |
| -                | F.P. | 1.00           | 250  | 250  | Do Warranta       | 260   |     | -     | -    | -   |      |
| 125              | F.P. | 20.7           | 141  | 125  | Precost int?      | 141   |     | R4.2  | 2.5  | 3.7 | 13.  |
| -                | F.P. | B3.B           | 107  | 103  | Schroder Inc Oth  | 106   |     | -     | -    | -   |      |
|                  | F.P. | 4.27           | 31   |      | Do. Warrants      | 27    |     | -     | -    | _   |      |

| FT GOLD                                     | MINE       | S 11            | (DE)       |         |             |                     |         |            |
|---------------------------------------------|------------|-----------------|------------|---------|-------------|---------------------|---------|------------|
|                                             | Mary<br>30 | % chg<br>on day | ikay<br>28 | 26      | Year<br>aga | Grass plv<br>year % | SQ V    | Lów<br>Lów |
| Bold Mines Index (94)<br>W Regional Indicas | 1911.48    | -1.4            | 1938.13    | 1816,73 | 1936.44     | 2.15                | 2337.00 | 1697,91    |
| Africa (16)                                 | 2564.18    | -1.3            | 2598,21    | 2533,89 | 2616.96     | 5.00                | 3711.87 | 2428.1     |
| Ambreienta (7)                              | 2253.59    | +1.3            | 2233.73    | 3261,77 | 2617.52     | 1.71                | 2951.49 | 1788.20    |
| North America (11)                          | 1577.24    | -20             | 1710.55    | 1695,07 | 1641.37     | 0.81                | 1911.21 | 3348.T     |

A stock overhang depressed. Figures in braches show number of companies. Basis US Dollars. Basis Values: 1000.00 \$1/12/12. FT - SE Actuaries Share Indices Day's Year May 31 chge% May 30 May 26 May 25 ago +0.3 3309.9 3311.1 3328.2 2931.9 +0.3 3642.6 3642.0 3651.6 3537.7 +0.3 3651.0 3651.0 3657.7 3544.0 +0.3 1645.8 1646.2 1653.7 1489.1 +0.3 1665.8 1656.0 1671.7 1480.2 +0.3 1624.9 1629.5 1635.1 1459.5 +0.2 1557.15 1857.55 1658.82 1872.15 2.08 15.04 65.78 1294.25 1.83 19.24 52.81 1397.82 1.89 17.94 54.20 1399.94 1.87 18.82 30.72 1315.29 1.75 14.55 37.87 1098.91 2.59 17.55 23.15 1090.18 1.63 23.44 27.82 1477.73 4.15 3.55 3.89 4.02 4.90 2.98 3.28 FT-SE 100 FT-SE Mid 250 FT-SE AND 250 ex liny Trusts FT-SE-A 350

| - or animiosh                  | 1000.7  |          |        |                   | 1000,DE   |         |        |              |       | 21.02  | 1-177.71 |
|--------------------------------|---------|----------|--------|-------------------|-----------|---------|--------|--------------|-------|--------|----------|
| T-SE SmallCap ex Lov Trusts    | 1840.47 |          |        |                   | 1835.69   |         | 3.47   | 1.70         |       |        | 1467.8   |
| T-SE-A ALL-SHAPE               | 1532.56 | +0.3 18  | 27.64  | 1628.35           | 1635,32   | 1484.63 | 3.96   | 1.94         | 16.23 | 29.90  | 1322.5   |
| FT-SE Actuaries All-           | Share   |          |        |                   |           |         |        |              |       |        |          |
|                                |         | Day's    |        |                   |           | Year    | Div.   | Net          | P/E   | Xd adu | Total    |
|                                | May 31  | chge% M  | ay 30  | May 26            | May 25    | 890     | ylold% | COVEY        | retio | ytd    | Rotum    |
| 10 MINERAL EXTRACTION(24)      | 2653.00 | .0120    | 50.01  | 2062 81           | 2874.24   | 2000 20 | 3.68   | 2.07         | 10.40 | 61.64  | 1178.3   |
|                                |         |          |        |                   |           |         |        |              |       |        |          |
| 12 Extractive Inclustries(7)   | 3737.10 |          |        |                   | 382A,58   |         | 3.77   | 2.08         |       |        | 1058.2   |
| 1S Off, imbegrated(3)          | 2856.55 |          |        |                   | 2871.72   |         | 3,77   | 2.16         |       | 61.83  |          |
| 18 Of Exploration & Prod(14)   | 2061.39 | -0.120   | 53,53  | 2058, 12          | 2063,11   | 1903.06 | 2.40   | 0.67         | 77,20 | 31.57  | 1212.7   |
| 20 GEN INDUSTRIALS(278)        | 1962.59 | +0.2 19  | 57.81  | 1961.13           | 1963,74   | 1956.38 | 4.00   | 1.71         | 18.27 | 34.03  | 1028.3   |
| 21 Building & Construction(38) | 1002.12 | +0.2 10  | 00.37  | 997.78            | 998.07    | 1205.85 | 3.96   | 1.55         | 16.93 | 20.64  | 808,45   |
| 22 Building Matts & Merchs(31) | 1825.38 | 18       | 25.62  | 1835.58           | 1843.11   | 1871.75 | 4.05   | 1.B4         | 15.88 | 37.17  |          |
| 23 Chemicaie(22)               | 2435.20 |          |        |                   | 2432.95   |         | 3.89   | 1.54         |       | 44.29  |          |
| 24 Diversified Industrials(18) | 1670.84 |          |        |                   | 1870.13   |         | 5.10   | 1.59         |       | 40.82  |          |
| 2S Bectronic & Bect Equip(36)  | 2040.B7 |          |        |                   | 2012.68   |         | 3.57   | 1.94         |       | 14.72  |          |
| 26 Engineering(72)             | 1965.58 |          |        |                   | 1968.23   |         | 3.18   | 1.81         |       | 26.94  |          |
| 27 Engineering, Vehicles(13)   | 2290.92 |          |        |                   | 2285.58   |         | 4.00   | 0.54         |       | 47.96  |          |
| 28 Paper, Poke & Printing(27)  | 2977.33 |          |        |                   | 3021.17   |         | 3.21   | 2.29         |       | 41.67  |          |
|                                |         |          |        |                   |           |         |        |              |       |        |          |
| 29 Textiles & Apprend(21)      | 1674.77 |          |        |                   | 1668,39   | _       | 4,21   | 1,60         |       | 38.87  | 983.00   |
| 30 CONSUMER GOODS(90)          | 3092.54 |          |        |                   | 3092.40   |         | 4.22   | 1.78         |       | 67.78  |          |
| 31 Brewerles(18)               | 2389.91 |          |        |                   | 2386,63   |         | 4.15   | 2.03         |       | 30.89  |          |
| 32 Spirits, Wines & Cidena(10) | 2745.98 | +0.1 27  | 43.23  | 2743.38           | 2755,22   | 2850.04 | 4,31   | 1.68         | 15.59 | 77.07  | 955,40   |
| 33 Food Producers(24)          | 2470.70 | +0.3 24  | 54,12  | 2460.90           | 2463.80   | 2187.05 | 4,11   | 1.97         | 15,42 | 55,78  | 1076.D   |
| 34 Household Goods(10)         | 2596.59 | +0.3 25  | 89.00  | 2587.09           | 2607.81   | 2465.54 | 3,54   | 0.98         |       | 94.80  | 961.63   |
| 36 Health Care(17)             | 1745.38 | +0.5 17  | 38.86  | 1742.83           | 1745,77   | 1865.16 | 2,81   | 0.93         |       | 24.09  |          |
| 37 Pharmeceuticale(12)         | 3826.92 |          |        |                   | 3818.67   |         | 4.05   | 1.82         |       |        | 1251.4   |
| 38 Tobacco(2)                  | 4160.27 |          |        |                   | 4172,79   |         | 5.45   | 1.80         |       | 131,28 |          |
| (0 SERVICES(229)               | 2033.37 | -        |        |                   | 2029.1S   |         | 3.28   | 2.13         |       | 32.12  |          |
| 1 Distributors(32)             | 2574.61 |          |        |                   | 2580.53   |         | 3.72   | 1.99         |       | 48.57  | B17.85   |
| 2 Letura & Hotels(29)          | 2325.61 |          |        |                   | 2329.40   |         | 3.36   | 1.71         |       |        |          |
| G Media(43)                    | 7982.24 |          |        |                   | 2989,52   |         |        |              |       | 37.23  |          |
| 4 Reples Food(16)              | 2027.88 |          |        |                   | 1990.96   |         | 2.64   | 2.34         |       | S1.41  |          |
| 15 Retailers, General(44)      | 1686.15 |          |        |                   | 1661,82   |         | 3.42   | 2.44         |       | 35.45  |          |
|                                | 1626.03 |          |        |                   | 1608.49   |         | 3,38   | 2.15         |       | 27.38  | 922,21   |
| 48 Support Services(37)        | 2268.45 |          |        |                   | 2295,34   |         | 2,70   | 2.53         |       | 14.71  |          |
| 49 Transport(21)               |         |          |        |                   |           |         | 3.85   | 1.87         |       | 29.32  | 907.99   |
| 1 Other Services & Business(7) | 1248,94 |          |        |                   | 1257,14   |         | 3.64   | 1,24         | 27.63 | 12.40  | 1094.90  |
| SU UTILITIES(37)               | 2374.41 |          |        |                   | 2889.30   |         | 4.65   | 1.87         | 14.36 | 20.45  | 941.00   |
| 52 Electricity(17)             | 2252.22 |          |        |                   | 2261.81   |         | 4,57   | 2.78         | 9.84  | 19.89  | 963,66   |
| 4 Gor Distribution(2)          | 2000.95 |          |        |                   | 1875,60   |         | 5.89   | 0.85         |       | 66.78  | 972.17   |
| 66 Telecommunications(5)       | 2053,34 |          |        |                   | 2080,41   |         | 4.13   | 1.47         |       | 0.13   | 991,21   |
| English Ba                     | 1955.07 | +0.8 150 | 39,88  | 1963.21           | 1964,32   | 1688.65 | 5.07   | 273          |       | 18.85  |          |
| 9 NON-FENANCIALS(881)          | 1754,07 | +0.2 174 | 19.76  | 750.79            | 1756.50   | 1607.75 | 3.94   | 1.88         |       | 30.11  | _        |
| 70 FINANCIALS(117)             | 2403.43 |          |        |                   | 2408.33   |         | 4.42   | 2.32         |       |        |          |
| 1 Banks, Retails)              | 3207.41 |          |        |                   | 3223.61   |         | 4.42   | 2.32<br>2.81 |       | 81.91  | 987.23   |
| 2 Banks, Merchants             | 3255,90 |          |        |                   | 3298.71   |         | 3.55   | 1.90         |       | 90.64  | 997.00   |
| 3 meurance(26)                 | 1352.42 |          |        |                   | 1341,12   |         | 5.25   | 1.84         | 10.51 | 56.32  |          |
| 74 Life Assurance(5)           | 2685,65 |          |        |                   | 2689.22   |         | 5.06   | 1.36         |       | 43.40  | 969.40   |
| 7 Other Financiol(21)          | 202S.59 |          |        |                   | 2032.53   |         | 3.82   |              |       | 91.02  |          |
| Property(46)                   | 1462.72 |          |        |                   | 1458.02   |         |        | 2.33         |       |        | 1109.85  |
|                                |         |          |        |                   |           |         | 4,1B   | 1.23         |       | 13.91  | 857,39   |
| C INVESTMENT TRUSTSMEN         | 2785.10 | 276      | D 44 2 | 77 <b>81 38</b> 3 | 2804 42 5 | 7774 PH | 2 24   | 4 82         | E2 00 | -      |          |

..... 2785.44 2781.38 2804.42 2724.91 2.34 1.02 52.23 28.32 951.18 80 INVESTMENT TRUSTS(133) 1632.56 +0.3 1627.94 1628.35 1636.32 1484.63 3.96 1.94 16.23 28.90 1322.59 89 FT-SE-A ALL-SHARE(911) +0.1 1008.41 1007.82 1008.46 +0.2 1002.76 1002.05 999.92 FT-SE-A Fledging FT-SE-A Fledging Hourly movements 19.00 13.00 16.10 High/day Low/day 3303.3 3308.5 3808.6 3319.6 3312.0 3308.0 3317.7 3318.4 3301.4 3643.3 3644.6 3846.0 3647.5 3648.8 3649.2 3682.5 3653.8 3642.9 1643.3 1644.6 1645.6 1646.5 1647.8 1645.7 1649.8 1650.5 1642.5 3317.6 3315.9 3648.1 3645.8 1649.1 1548.4

Time of FT-58, 100 Day's high: 8,47am Day's low: 10,03am, FT-58 100 1994 High: 3029.2(25/0) Low: 2054.2 (23/1)

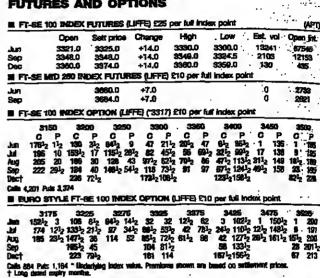
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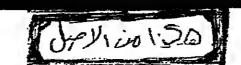
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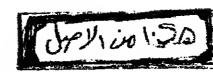
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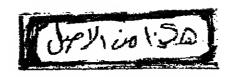
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#### FINANCIAL TIMES THURSDAY JUNE 1 1995 NYSE COMPOSITE PRICES 4 pro close May 31 NASDAQ NATIONAL MARKET | The color | The 1985 High Law Stack 40 37% Listum Corp 55% 30% Lightm 95% 85% USLFF Inc 195% 15% USX M 38 205% USX US 13% 8 USX Delhi 20% 255% URBCorp 1985 - Vid. P7 Site plage Low Stack ... 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World Business Newspaper. DSC Cm 242707 37<sup>1</sup><sub>3</sub> 35<sup>5</sup><sub>3</sub> 37 Derr Groto 0.13 2 5 89 87 89 +12<sub>3</sub> DataSerati 10 2320 4/<sub>4</sub> 4/<sub>4</sub> 4/<sub>6</sub> +1/<sub>4</sub> DataSerati 10 2320 4/<sub>4</sub> 4/<sub>4</sub> 4/<sub>6</sub> +1/<sub>4</sub> DataSerati 18 12 7<sup>5</sup><sub>8</sub> 7/<sub>6</sub> 7/<sub>6</sub> 4/<sub>5</sub> +1/<sub>6</sub> DataScope 15 456 17 16<sup>1</sup><sub>4</sub> 16<sup>1</sup><sub>4</sub> -3/<sub>4</sub> DaughmDp 1.00 11 77 25 24<sup>1</sup><sub>4</sub> 25 +3/<sub>4</sub> Deb Stops 0.20 15 32 4<sup>1</sup><sub>8</sub> 37<sup>2</sup><sub>8</sub> 4<sup>1</sup><sub>5</sub> +1/<sub>4</sub> Debato Ge 880 19 540 37<sup>5</sup><sub>8</sub> 36<sup>3</sup><sub>4</sub> 37<sup>1</sup><sub>2</sub> +3/<sub>4</sub>

# reconsider GDP data

#### **Wall Street**

US shares were mostly higher in early afternoon trading after a volatile morning that saw all of the major indices open lower, and then rise as inves-tors took advantage of lower prices, having closely examined new economic data, urites Lisa Bransten in New York.

At 1pm, the Dow Jones Industrial Average was 20.41 higher at 4.399.09, while the more broadly based Standard & Poor's 500 bad gained 3.01 at 526.59

After a drop of more than 7 points at the opening the Nasdag composite bounced off its lows, and by early afternoon it was up 0.58 at 859.28 after a declined of more than 1.5 per cent on Tuesday. The American Stock Exchange composite was off 0.75 at 490.58. Volume on the New York SE was 189m

Mucb of the market's weak opening was attributed to the early morning release of revised figures on first quarter gross domestic product. The commerce department put first quarter GDP growth at 2.7 per cent, down from its earlier esti-

Market

Argentina

India?

Malaysia Pakistan'

Srl Lanka'

Poland

Euro/Mid East

Latin America

was lower, some underlying numbers, including an upward revision to the final sales figures and a downward revision to businese inventories, showed the economy to be somewhat stronger than many had come to believe. Worries that second quarter earnings might be weak had upset market sentiment since May 18

when the Dow fell hy nearly 82

The market also received support from a stronger dollar as central banks from G10 nations intervened in the currency market to boost the currency's value. The bond market, bowever, was mostly lower on continuing worries

about the economy.

Technology ebares were mixed with some companies regaining ground which had been lost on Tuesday, and others continuing their slide.

The Pacific stock exchange technology index gained 0.45 per cent after losing 2.8 per cent on Tuesday. Micron Technology was the most actively traded NYSE issue, up \$1% at \$43% after losing \$4% on Tuesday. Texas Instruments, on the other hand, added another \$1% to the \$51/4 it had shed on Tues-

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

-20.8 +3.9 +11.8

-22.7 -33.5 +9.3 +14.9 +15.2 -13.3 +22.3 -2.1 +5.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Finder. Base date. Dec 1993–130 except those noted which are: (Ilifen 1 1991; (Diber 31 1992; (Blain 5 1990; (Blain 5 1990; Silver 3 1992; (Blain 4 1991; (Thios 6 1992; (Bisco 26 1990; Silver 1 1991; (10) Dec 31 1992; (11) Dec 31 1992; (13) Dec 31 1992; (13

The Brazilian oil workers' strike has been baving a significant effect on equity performance over the past few days, writes John Pitt. Although the market has done well over the past month, it still remains down 9 per cent in dollar terms on the year to date, still a good performance given the substantial cracks that appeared following the Mexican currency

On the Nasdaq, the two largest companies posted modest increases after Tuesday's declines. Microsoft was \$14 higher at \$83%, and intel was up \$1% at \$111%.

Roberts Pharmaceutical she nearly 15 per cent or \$31/2 at \$20 after the company said that it expected 1995 results to fall short of analysts' expectations.

Toronto balanced early weakness in consumer products, forestry, golds and conglomerates with gains in the cable and entertainment sector, up 424.42 or 2.4 per cent to 18,087.52 at midsession, in breweries, where Labatt was a feature, and in household goods. The TSE 300 composite index was 4.49 lower at 4,432.30 by 1 pm.

#### **SOUTH AFRICA**

Johannesburg was unsettled amid uncertainty over the price for bullion.

The overall index shed 10.7 to 5,471.3. industrials collected 2.9 at 6,907.8 and golds declined 13.6 to 1,387.3. De Beers receded R1.75 to

R93 and Anglos slipped R1 to mate of 2.8 per cent. day, bringing the sbares to But while the headline figure \$114½ by midsession yesterday. 60 cents lower at R40.40. R195.50. Gold issue Kloof was

Local currency terms

May 26 % Change % Change 1995 over week on Dec '94

-20.8 +5.4 +7.8 -22.2

-7.7 +21.7 -6.8

+39.4

### Dow gains as analysts Late closing bourses follow Wall Street

Street reaction to yesterday's concerted dollar intervention and performed accordingly. writes Our Markets Staff. Thus the early closing Helsinki was down, Znrich relatively flat, and the late-closing Frankfurt and Paris more enthusiastic, in line with the Dow's delayed reaction to the dollar news.

FRANKFURT tilted up at the end of a dull afternoon, the Ibis-indicated Dax just breaching 2.100 before ending 18.49 ahead at 2,099.95. Turnover rose from DM5.9bn to DM6.4bn

Measured on the session

ciose, 2,092.17, the German equity market rose 3.8 per cent on the month compared with a 0.7 per cent decline for January/May, noted Mr Eckhard Frahm of Merck Finck in Dusseldorf. May, be said, was marked by a reduction in economic growth targets, a further fall in bond yields, a gradual recovery in the US dollar and, recently, the thought that the Bundesbank could cut the Lombard rate at its fortnightly

This delivered a switch in the equity market where safe haven and interest rate-sensi-tive stocks such as Viag. RWE. Siemens and Allianz were the top four performers in the first five months of 1995, with gains hetween 11.2 and 2.8 per cent. In May alone, the top six were

Bourses waited for a Wall all cyclicals, benefiting from the improved dollar and its effect on export margins; son like Mannesmann and MAN, also offered good corporate news as they gained 10.1 and 9.5 per cent respectively on the

> The best performer, noted Mr Frahm, was still ontside the Dax. SAP, the computer software group, rose another DM30 to a new 1995 high of DM1.770 sterday, up 23.8 per cent on the month, and 77 per cent from its 1995 low.

PARIS, additionally, was helped by a rise in the franc against the D-Mark. The CAC-40 index climbed 20.65 to 1,947.95 in turnover estimated at FFr5.8hn. The expiration of futures and options contracts swelled activity.

Alcatel Aisthom improved on Tuesday's 3.8 per cent gain, rising FFr13.10 to FFr451.80 as it was confirmed that Mr Serge Tehuruk of Total was to take up the chairmanship.

The oil company's shares tracked the market and were belped by a pick-up in the dol-lar, moving ahead FFr8.10 to FFr307.60. The group said at its annual meeting that Mr Tchuruk would be replaced by his current deputy, Mr Thierry

In the same sector, Elf-Aquitaine out on FFr13 at FFr401. although the shareholders

FT-SE Actuaries Share Indices THE EUROPEAN SERIES 13.69 14.00 15.00 Close 10.30 11.00 FT-SE Burstrack 100 1354.38 1353.51 1353.60 1353.65 1352.58 1360.81 1355.25 1354.50 FT-SE Burstrack 200 1441.38 1441.24 1441.55 1440.01 1440.34 1447.37 1442.82 1442.07 May 30 May 25 May 25 1341.87 1358.70 1453.70

meeting was disrupted and temporarily adjourned following a demonstration by union members who were protesting at a restructuring programme. There was a contrast in first-half forecasts from each com-

pany, Total saying that it would endeavour to maintain earnings at the 1994 level, and Elf that it expected to see a higher figure over the same

Eurotunnel, in contrast, fell 80 centimes or 5 per cent to FFr14.10 in reaction to a disappointing shareholders' meeting n London, as new worries surfaced regarding the amount of passenger traffic forecast for the crucial enmmer period. The group reaffirmed, however, that there would be no rights issue to solve its debt problem.

Euro Disney, which often tracks the performance of the other "Euro stock", was also weak, finishing 30 centimes down at FFr16.35.

expected US GDP data, and the rise in the dollar on yesterday'e intervention, but its rally ran out of steam and the SMI index closed a moderate 6.2 up

at 2.785.6. Zurich Insurance rose by SFr14 to SFr1,364 after it forecast continued profits growth. Surveillance, however, took the high ground with a gain of

SF170 at SF12,100. AMSTERDAM, dollar oriented, saw the AEX index up 2.99 at 431.52 as the market

woke up in the afternoon. International stocks particularly liked the dollar theme. Royal Dutch rising F12.50 to Fi 197.80, Unilever by Fi 1.90 to F1 199, and insurer Aegon by Fl 2 to Fl 127.60 after saying that it was likely to raise tts

MILAN was encouraged by the currency markets, which gave equities a boost. The Mibtel index moved up 35 to

offer for the Norwegian insurer

Actinvest, a Milan investment house, said this week that it was increasing its equity weighting in the market to 100 per cent, based on politi-1800 jobs to go cal and economic reas The recent raising of the dis-count rate by the Bank of Raly con under control was now obligatory in order to carry out restructuring of the publications.

wher 72 stores There was renewed takeover talk, centred on Banco Ambroveneto, which rose L190 to L5,750, while Generali, the ineurer, traded up L300 to

L39.800. Fiat put on L60 at L6,504 and Pirelli L8 at L2.349 but Olivetti lipped L8 to L1.63L . STOCKHOLM and HELSINKI

were unsettled by the after effects of Tuesday'e fall in nigh-tech shares in New York. Ericsson B slipped SKr24 or more than 4 per cent to SKr225 and the Affarsvärlden General

index, ending only 2.6 lower at 1,580.7, was rescued by rate sensitive banks and insurance Finland's Nokia A retreated FM4 to FM201 and the Her

index fell 25.3 to 1,841.4 waiting for a US lead today.

Written and edited by Wil

#### Brazil recovers some ground

São Paulo recaptured part of Tuesday's 5 per cent loss by midsession in what brokers described as a technical rebound, and on hopes that the oil workers' etrike would soon be

The Bovespa index was up 941 points at 38,009 by 1 pm in turnover of R\$111.9m (\$123.4m), a 10 per cent drop in prices over the last four sessions contributing to the rally.

MEXICO CITY recouped early losses which had been triggered by a 3.99 percentage-point rise in interest rates to 52 per cent, higher than

474.61

701.22

300.66

114.37

418.30

136.19 259.95

183.51

128,12

152.72

11123

The World Index (2277)......185.36

had been expected. By 1 pm the IPC index had gained 10.12 at 1,948.84 as investors awaited a statement from President Ernesto Zedillo in which he was expected to announce a programme to boost the creation of new jobs. The market has fallen by some 10 per cent in

dollar terms over the last five sessions. BUENOS AIRES told the same story, with the Merval index up 3.72 or 1 per cent at 429.36, following its 1.4 per cent decline on Tuesday. Of 35 issues traded on the floor, 20 were higher, three were lower and 12 unchanged.

1,088,97 1,331.06

1.084.22

359,47

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273.04

122.71

270.53

128.18

174.70

306.73

3.083.80

meeting today.

Growing pessimism over the Y20 to Y1,640 and Mazda Motor shed Y5 to Y304. High-technology issues were

The index ended 326.18 down Eleven moved ahead Y110 to Y6,250 and Takashimaya advanced Y20 to Y1,150. ume of 9.5m shares.

economic rebound, and a corporate earnings recovery. The Topix index of all first section stocks fell 12.12 or 1 per cent to 1,254.11 and the Nikkei 300 slid 2.31 to 233.86. Losers led gainers by 748 to 223, with 144 issues unchanged. But in

Aoshima, the governor of Tokyo, to cancel the controver-sial Y200hn "World City Exposition" scheduled for next year also weighed on investor confi dence as some market partici pants feared the negative impact on earnings of companies planning to participate.

for the stock.

good performance given the substantial cracks that appeared following the Mexican currency crisis.

The oil strike – which looked as though it was approaching a resolution last night – has posed a threat to the government's plans to keep inflationary pressures in check, its reason for not acceding to the workers' demands for higher wages.

JP Morgan saye that the economic stabilisation plan is approaching a critical phase. "With private sector wage pressures already building as a result of the tight labour market," the US broker notes, "the government does not want to give the wrong signal, or encourage cost-push inflation by allowing excessive public sector wage increases."

On the region, Kleinwort Benson believes that Latin American stock multiples are now at reasonable levels, and forecasts that prices should now move in line with earnings, which might grow by an average of 22 per cent in real terms in 1995, and by 25 per cent in 1996. Kleinwort says: "The excitement is over for now, and it to time to move from the macro ontlook to basics – where are the good values in these markets?"

Turning to Turkey, Merrill Lynch believes that the country and the market is "back on its feet". While the equity market peaked at the end of April, "the stock exchange could sustain its strength should the political arena etabilise, the customs union agreement with the EU be signed by the end of the year and the privatisation programme accelerate".

185.95 172.53 97.64 134.24 147.16 189.27 185.92 173.56

#### Nikkei threatens 1995 low as region revives the deadlock over trade, failed to quell worries over the nego-

#### Tokyo

economy left the Nikkei 225 average down 2.1 per cent after a brief fall through the year's closing low of 15,381.29, writes Emiko Terazono in Tokyo.

15,436.79 after a day's high of 15.745.94 and low of 15,292.43. volume rising from 179m shares to 247m. Share prices reacted to weak economic figures released on Tuesday, and the decline in long-term interest rates heightened the pessimism over the prospects of an

London the ISE/Nikkei 50 index put on 2.82 at 1,037.69. The decision by Mr Yukie

The lack of huyers worried

market participants, with some index fall below 15,000 for the first time since August 1992. "The market looks sick as a parrot," said Mr Tom Hill. strategist at S.G. Warburg.

Institutional investors sold steels and the sector lost 2.5 per cent. Nippon Steel fell Y5 to Y304 and NKK declined Y6 to Y213. However, Daido Steel Sheet rose by its daily limit of Y100 to Y695 on speculative huving. Both the Tokyo and Osaka stock exchanges issued warnings on the stock, while Japan Securities Finance placed restrictions on lending

Worries over trade sanctions by the US hit car makers. Reports that a letter was sent to the US government by the Ministry of International Trade and Industry, in order to break

#### moved largely on to the upgrade. Kuala Lumpur and HONG KONG, too, majored tiations. Toyota Motor dipped Jakarta were closed for public

also lower, with Hitachi down Y12 to Y817 and Fujitsu losing Y11 at Y810. Some retailers were among the day's few gainers. Seven-

in Osaka, the OSE average fell 255.49 to 16,738.20 in vol-

#### Roundup

There was talk of US and Japanese money looking for new equity homes as the region holidays.

BANGKOK brokers said that

foreign money was chasing Thai financials as the SET index finished 37.40 or 2.8 per cent higher at a new peak of 1.392.31 for 1995 on late buying of blue chips.

The finance sector led the sharp rise at the close, jumping 4.1 per cent in turnover of Bt4.3bn. However, there was action elsewhere, Electricity Generating climbing Bt4.50 to Bt77.50 on news that the gov-ernment would sell a southern Thai power plant to the company, and Siam Cement appreciating Bt60 to Bt1,468 on

a sharp increase in profits.

on banks, Hang Seng and HSBC touching highs for the year in intraday trading before closing HK\$3.25 up at HK\$60 and HK\$1.50 stronger at HK\$100.50 respectively.

The Hang Seng index ended 162.08 or 1.75 per cent higher at 9,407.38 and market turnover more than doubled, climbing to HK\$4.62hn from the previous day's HK\$2.21hn. Brokers said that

brighter outlook for US interest rates had sent investors back to the local market in search of interest rate-sensitive counters BOMBAY was led forward by

Tata Engineering and Locomo-

tive (Telco), which reported

trehled net profits and rose

Rs46 or 8.8 per cent to Rs567 The BSE 30-share index ended 75.17 or 2.3 per cent higher at 3,351.48 as the Telco performance galvanised activity in blue chip shares. SINGAPORE reported talk of

Japanese and US clients purchasing index stocks as the Straits Times Industrial index rose 11.57 to 2.174.05. But second liners were not so fortunate, and turnover was thin at S\$245.4m. TAIPEI registered its third straight rehound after recent sharp falls, with financials again in the lead as the weighted index advanced 27.48 to 5.674.55.

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KARACHI declined again, hut resisted the sharp falls seen on Tuesday. The KSE 100 index slipped 7.89 to 1,513.13.

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| REGIONAL MARKETS             |        |          |        |        |          |        |       |        | MONDAY MAY 29 1995 |        |        |          |         | DOLLAR INDEX |          |  |  |  |
|------------------------------|--------|----------|--------|--------|----------|--------|-------|--------|--------------------|--------|--------|----------|---------|--------------|----------|--|--|--|
| Figures in parentheses US    | Day's  | Pound    |        |        | Local    | Local  | Gross | ยร     | Pound              |        |        | Local    |         |              | Year     |  |  |  |
| show number of lines Dollar  | Change | Sterling | Yen    | DM     | Currency | % chg  | Drv.  | Dollar | Sterting           | Yen    | DM.    | Currency | 52 week | 52 week      | 200      |  |  |  |
| of stock Index               | %      | Index    | Index  | Index  | Index    | on day | Yield | Index  | Inde*              | Index  | Index  | Index    | High    | Low          | (approx) |  |  |  |
| Australia (83)               |        | 156.34   | 87.60  | 121.16 | 154.67   | 0.4    | 4.04  | 166.41 | 154.39             | 87.29  | 120.13 | 154.09   | 160.62  | 157.95       | 175.50   |  |  |  |
| Austria (26) 197.01          | 1.0    | 182.52   | 103.38 | 142.36 | 142.16   | 1.1    | 1.25  | 195.05 | 160.97             | 102.32 | 140.81 | 140.61   | 198.89  | 167.45       | 175.24   |  |  |  |
| Belgium (35)197.05           | 5 0.4  | 182.56   | 103,40 | 142.38 | 138.54   | 0.3    | 3.78  | 196.27 | 182.10             | 102.96 | 141.68 |          | 201.12  | 181.68       |          |  |  |  |
| Grazil (28) 134.72           | ? -4.0 | 124.81   | 70 69  | 97.34  | 224,29   | -4.0   | 1.49  | 140.30 | 130.17             | 73.60  | 101.29 | 233.59   | _       | _            | _        |  |  |  |
| Canada (102)141.00           | -0.1   | 130.71   | 74.03  | 101.94 | 140.10   | 0.2    | 2.53  | 141.16 | 130 97             | 74.04  | (01.90 | 139.83   | 141.54  | 120.54       | 130.72   |  |  |  |
| Denmark (33) 284.74          | 0.0    | 263.60   | 149,42 | 205.75 | 210.35   | 0.0    | 1.51  | 284.69 | 264.14             | 149.34 | 205.52 | 210.28   | 287,44  | 236.61       | 251 10   |  |  |  |
| Finland (24)213.36           | 5 0.4  | 197.67   | 111.95 | 154.17 | 191.65   | 0.7    | 1.62  | 212.48 | 197,14             | 111.46 | 153,39 | 190.S1   | 214.68  | 133.88       | 147,55   |  |  |  |
| France (101) 185.56          |        | 171.93   | 97.38  | 134,10 | 142.73   | -0.1   | 3.09  | 185.84 | 172.43             | 97.49  | 134.18 |          | 191 17  | 157,79       | 159,86   |  |  |  |
| Germany (59)                 |        | 144,52   | 81.86  | 112.72 | 112 72   | 0.9    | 2.10  | 154,17 | 143.60             | 81 19  | 111.73 | 111.73   | 156.35  | 132.08       | 136.99   |  |  |  |
| Hong Kong (55)352.65         |        | 335.60   | 190.30 | 262.05 |          | -0.6   | 3.78  | 385.55 | 339.16             | 191.75 | 263.90 | 362.98   | 416.42  | 277.40       | 389.31   |  |  |  |
| Ireland (16)228.60           |        | 211.85   | 119.99 | 165.23 | 196.44   | 0.4    | 3.64  | 226 98 | 210.57             | 11905  | 163.85 | 195.59   | 229.27  | 130 67       | 183.31   |  |  |  |
| italy (58)                   |        | 70.55    | 39.96  | 55.02  | 92.54    | 1.5    | 1.75  | 74.11  | 58.76              | 38.88  | 53.50  | 91.30    | 89.22   | 65 45        | 87.35    |  |  |  |
| Japen (483)154,33            |        | 142.99   | 80.99  | 111.52 | 60.68    | 0.5    | 0.83  | 153.57 | 142.49             | 80.55  | 110.87 | 80.56    | 170.10  | 135.95       | 161.14   |  |  |  |
| Malaysia (97)                |        | 500.32   | 283.38 | 390.23 |          | 0.6    | 1.57  | 537.72 | 498,91             | 282.07 | 388.20 | 509.81   | 594,76  | 398.18       | 469.63   |  |  |  |
| Meuco (16)                   |        | 863.60   | 489.14 | 873.56 |          | -1.5   | 2.13  | 948.78 | 887.25             | 497.60 | 684,94 | 6395.24  | 2414 12 | 647.81       | 2137.51  |  |  |  |
| Netherland (19)249 66        |        | 231.33   | 131.02 | 180.43 |          | 0.4    | 3.56  | 248 63 | 230.68             | 130.42 | 179.49 | 176 44   | 252.34  | 194 56       | 198.81   |  |  |  |
| New Zealand (14)             |        | 75.63    | 42.83  | 58.28  | 64.93    | -0.1   | 4.60  | B1.65  | 75.76              | 42.83  | 58.95  | 64.99    | 84.31   | 64.00        | 69.94    |  |  |  |
| Norway (33)224.44            |        | 207.96   | 117,79 | 162.20 | 188.60   | 0.3    | 2.24  | 224.01 | 207.83             | 117.50 | 161.71 | 188.22   | 230.07  | 177.53       | 198.47   |  |  |  |
| Singapore  44)399.60         |        | 370.22   | 209.69 | 288.76 | 256.08   | 0.7    | 1.69  | 397.09 | 368.42             | 208.30 | 285.67 | 254.32   | 405.93  | 313.94       | 350.95   |  |  |  |
| South Africa (61)343.98      |        | 318.59   | 180.50 | 248.56 |          | -0.3   | 2.51  | 345.95 | 320.97             | 181.47 | 249.75 | 276.17   | 363.22  | 261.43       | 263.05   |  |  |  |
| Spain (38) 147.12            |        | 135.30   | 77.20  | 106.31 | 135.23   | 0.4    | 4,1B  | 147.26 | 136.63             | 77.25  | 105.31 |          |         | 124,10       |          |  |  |  |
| Sweden (48)259.75            |        | 240.66   | 136.31 | 187.70 | 279.58   | 0.6    | 214   | 257.65 | 239.05             | 136.18 | 186.01 | 277.34   | 261.74  | 196.70       | 224.48   |  |  |  |
| Switzerland (48)             |        | 184 24   | 104.35 | 143.70 |          | 0.5    | 1.82  | 197.96 | 183.67             | 103.84 | 142.91 | 140.51   | 198.88  | 155.05       | 160.02   |  |  |  |
| Thailand (46) 159.5          |        | 154.27   | 87.39  | 120.33 |          | -1.0   | 2.75  | 168 16 | 156.02             | 88.21  | 121.40 |          |         | -            | -        |  |  |  |
| United Kingdom (203)214.8    |        | 199.04   | 112.74 | 155.25 |          | 0.0    | 4.19  | 214.58 | 199.08             | 112.55 | 154.91 |          | 216.25  | 181 11       | 163.32   |  |  |  |
| USA (507)214.29              | 9 0.0  | 198.53   | 112,45 | 154.84 | 214,29   | 0.0    | 2.69  | 214.27 | 193.20             | 112.40 | 154.68 | 214.27   | 21625   | 160.55       | 186.54   |  |  |  |
| Americas (655)196.45         |        | 182.01   | 103.09 | 141.98 | 164,77   | 0.0    | 2.66  | 196.56 | 192,36             | 103.10 | 141,90 | 164.83   | -       | _            | -        |  |  |  |
| Europe (739)                 |        | 174,75   | 98.98  | 138.29 |          | 0.3    | 3.18  | 187.87 | 174.30             | 98.55  | 135 63 |          | 188.68  | 160 59       | 184.83   |  |  |  |
| Nordic (138)252.09           |        | 233.55   | 132.28 | 182 16 |          | 0.8    | 1.95  | 250.75 | 232.65             | 131.54 | 161.02 |          | 252.82  | 197.70       | 211 62   |  |  |  |
| Pacific Basin (822) 163.73   |        | 151.70   | 85.92  | 116.32 | 92.24    | 0.4    | 1.30  | 163 04 | 151.27             | 65.53  | 117.71 | 91.83    | 176.86  | 145.93       | 169.62   |  |  |  |
| Euro-Pacific (1561)          | 0.4    | 161.21   | 91 31  | 125.73 |          | 0.4    | 2.14  | 173.29 | 160 77             | 90 90  | 125.10 |          | 178.33  | 154,73       | 187.47   |  |  |  |
| North America (609)          |        | 194.33   | 110.67 | 151 56 |          | 0.0    | 2.68  | 209.74 | 194.59             | 110.02 | 1S1.41 |          | 211.61  | 176.83       | 183 CB   |  |  |  |
| Europe Ex. UK (536)170.14    |        | 157.63   | 89.28  | 122.94 |          | 05     | 2.59  | 169.20 | 156.99             | 88.76  | 122.15 |          | 171.03  | 144.12       | 150.83   |  |  |  |
| Pacific Ex. Japan (339)      |        | 236.26   | 133.62 | 184 27 | 224.53   | 00     | 3.16  | 254.86 | 236 46             | 133.60 | 183.99 |          | 273.13  | 211,13       | 253.04   |  |  |  |
| World Ex. US (1770)174.47    |        | 161,64   | 91,55  | 126.07 | 120.14   | 03     | 2.15  | 173 88 | 161.32             | 91.21  | 125.52 |          | 178.73  | 156.42       | 168.62   |  |  |  |
| World Ex. Uk (2074) 183.60   |        | 170.12   | 96.36  | 132 63 |          | 0.2    | 2.15  | 183.21 | 128.60             | 96.10  | 122.26 |          | 187.37  | 163 45       | 172 58   |  |  |  |
| World Ex. Japan (1794)205.13 | 0.1    | 190 84   | 107.61 | 148.22 | 190.43   | 0.1    | 2.68  | 204.99 | 190.10             | 107,48 | 147.92 | 190 25   | 206.30  | 176 74       | 182.32   |  |  |  |

0.2 172.66 97.79 134.68 147.48 0.2 2.35

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